



## Polish opposition criticised as Schmidt rebukes U.S.

BY LESLIE COLITT IN BERLIN

THE Soviet Union and its allies have intensified their attacks on the opposition movement in Poland, while Chancellor Helmut Schmidt of West Germany has indirectly criticised the U.S. Administration for spreading "demagogic reports" about alleged Soviet military movements aimed at Poland.

Communist Party newspapers throughout Eastern Europe yesterday carried verbatim accounts of a leading article in the Soviet Communist Party newspaper Pravda attacking West German and American aid for

"elements agitating among the Polish working people and trying to drive a wedge in the workers' movement, to bring the country off the course of Socialism."

East Germany and Czechoslovakia, which border on Poland, are leading the Warsaw Pact's criticism of "anti-Socialist" and "counter-revolutionary" forces in Poland. They have recalled the "events" of 1968 in Czechoslovakia, when Soviet-led forces invaded that country and put an end to the reform Communist leadership of Alexander Dubcek.

Chancellor Schmidt, speaking in West Berlin, said he regretted "demagogic reports" of Soviet forces menacing Poland by massing in East Germany and the western Soviet Union. Last week U.S. officials, including Mr. Edmund Muskie, the Secretary of State, drew attention to reports from the Pentagon's Defence Intelligence Agency and indicated that Moscow was putting military pressure on Poland.

Chancellor Schmidt called this an attempt to "pour oil on the fire," and said there was no reason for any dramatisation

whatsoever. He said his Government had "no knowledge" of any troop movements in East Germany.

Western allied sources in Berlin confirm that their military missions in Potsdam, East Germany, have seen no signs of unusual military activity after the Warsaw Pact's military manoeuvres that ended in East Germany ten days ago.

East Germany's leading foreign affairs weekly, Horizont, has warned Poland that any search for a "middle way" between capitalism and Communism encourages the

"counter-revolution to impudently raise its head." The publication said the "events" in Hungary in 1956 and in Czechoslovakia in 1968 taught the international Communist movement "important lessons."

The Prague Communist weekly, Tribuna, recalled Czechoslovakia in 1968 and said "anti-Socialist forces" again want to "mislead" the workers, destroy the "unity" of the working class, bring discredit upon the "leading role" of the party, "legalise" the opposition and thus create conditions for "political pluralism."

## Leaders of free unions meet in Gdansk

WARSAW — Leaders of Poland's new independent unions met in Gdansk yesterday to discuss organisation problems and how to divide the national movement among the regions.

A representative of the movement at the Gdansk headquarters said delegates from 36 independent union groups attended the meeting, the second since the Polish Government signed agreements on free trade unions three weeks ago.

The independent unionists set up a national movement at their first meeting in Gdansk last Wednesday, and their leaders plan to register it in a Warsaw court late this week.

Yesterday meeting was expected to confirm the final details of the movement's statutes as well as its division into regions.

The movement, led by Mr. Lech Walesa, the 37-year-old electrician who spearheaded last month's strikes in northern Poland, has agreed to adopt the statute of the independent Gdansk Trade Union.

More than 3m of Poland's 13m union workers have so far opted to join the national independent movement, but its establishment has been marked by uncertainty, confusion and accusations of harassment.

The national Press has generally ignored the new movement's activities and National radio news programmes made no mention of today's meeting in Gdansk.

The newspaper of the official trade union movement, Glos Pracy, acknowledged yesterday that the emergence of two parallel organisations had given rise to some misunderstanding and conflict.

The old unions, which strikers said did not properly represent the interests of workers, meanwhile continued to revamp their own organisations.

## Thatcher opens talks with Greek leaders

BY OUR ATHENS CORRESPONDENT

MRS. MARGARET THATCHER, the British Prime Minister, arrived in Athens yesterday—the first British Head of Government to visit Greece since 1958—for three days of discussion with Greek leaders.

Mrs. Thatcher opened her talks with Mr. George Rallis, the Greek Prime Minister, shortly after her arrival. The talks will be continued today in the presence of Mr. Ioannis Kostas, the Minister of Coordination, Mr. Constantine Mitsotakis, the Foreign Minister, and Mr. Evangelos Averoff-Tossitsas, the Minister of Defence.

Mrs. Thatcher will later meet Mr. Andreas Papandreu, the leader of the main Opposition party, the Pan-Hellenic Socialist Movement (Pasek), which opposes both Greece's EEC entry and the return to NATO's military wing.

Mrs. Thatcher will also call on President Constantine Karamanlis.

Speaking on her arrival Mrs. Thatcher said: "I hope that Mr. Rallis will bring me up to date over the question of renewed Greek participation in the military structure of NATO, to which we attach the greatest importance."

Greece's return to the military wing of NATO has been blocked by Turkey because of the disputes over territorial rights in the Aegean.

Mrs. Thatcher's talks with Mr.



George Rallis: talks cover wide area

Rallis will also cover questions of "East-West" relations and defence.

Also to be reviewed will be the resumption of the inter-communal talks in Cyprus on which the two countries are known to hold similar views.

The economic talks will be based on a memorandum of understanding for industrial and economic co-operation signed between the two countries last November. It is understood Mrs. Thatcher will discuss in general terms a package deal under which Britain would supply 500,000 tons of North Sea oil and 2m tons of coal a year to Greece.

## Two sides continue Cyprus negotiations

BY METIN MUNIR IN ANKARA

THE GREEK and Turkish Cypriots will tomorrow begin discussing the lifting of the Greek Cypriots' economic blockade on northern Cyprus.

Last week, when the two communities began their first talks in 16 months, they agreed that priority should be given to the return of up to 35,000 Greek Cypriot refugees to the Varosha area of Famagusta.

The Turkish side is now studying the proposals on the refugees given by the Greek Cypriots when the inter-communal talks resumed last week at the Ledra Palace hotel in the no-man's land between the two communities.

Officials involved in the talks said that both sides are now settling in for a long winter of negotiations, although the general belief is that after the military take-over in Turkey the new regime might press for an early settlement.

The talks are being held under the auspices of the United Nations. The Libyans galvanised the UN into action this summer by proposing that a Cyprus summit should be held under Col. Gaddafi in Tripoli.

The Libyans have been given land for a radio station in the Turkish-held part of Cyprus. A Libyan delegation is now visiting southern Cyprus to negotiate a similar deal.

This week, apart from the economic blockade, the negotiators are also to discuss free communications and the movement of tourists. Next week they will move on to the thorny issue of a new constitution for the island.

Only then will they discuss the crucial question of adjusting the frontier of the Attila Line, established when the Turkish Army seized more than a third of the island in 1974.

## Portugal battles with EEC over aid issue

BY JIMMY BURNS IN LISBON

PORTUGAL and EEC member states have been pitched into a period of intense diplomatic haggling over the still-unresolved issue of aid ahead of Lisbon's accession to the Community.

The EEC Commission in Brussels early this summer agreed in principle that Portugal should receive financial help from the EEC over the next three years to boost the Portuguese economy in the period leading up to enlargement of the Community.

The Nine, however, have so far struggled without success to reach agreement on how much aid to offer Portugal. Several months ago Lisbon asked for £280m (425m units of account), while the Commission subsequently proposed £213m (\$50m ua).

As it was clear at a Council of Ministers meeting in Brussels last Tuesday that there was no prospect of an agreement, Foreign Ministers shelved discussion of the issue. But it is clear that a majority favours a sum lower than the Commission proposed and much lower than Portugal requested.

As a result, it is thought that an eventual compromise may be in the region of £120m (200m ua). This may be seen in Lisbon as ungenerous, but it reflects among other things the pressure on the EEC budget and the reluctance of some states, notably Britain and France, to make major new commitments of this kind on the aid front.

Both countries have argued instead that the greatest share of the aid possible should be in the form of loans from the European Investment Bank.

This view has been strongly challenged by Portuguese officials, both on financial and political grounds.

They want the largest share of the aid to be in the form of a direct grant, in order to avoid aggravating Portugal's debt burden. Portugal has in the past had to pledge its gold reserves in collateral for loans contracted from the EEC. The large proportion of its gold reserves are now free.

Politically, the Portuguese Government feels that to clinch the pre-accession aid before the October 5 general election would be a major asset during a campaign that has stressed the success of Portugal's negotiations with the EEC.

In contrast, to Spain, Portugal has now indicated that her accession to the Community is possible according to the scheduled date of January 1983. Portuguese Ministers claim that they have received assurances in this respect from all member states.

The aid package under negotiation is aimed at backward areas of the Portuguese economy, including infrastructure, agriculture, and medium- and small-sized industries. The EEC has until now been in broad agreement that Portugal's economic underdevelopment might accentuate the Community's heterogeneity and complicate decision-making after enlargement.

Since 1976, Portugal has received a total of 350m units of account in two major instalments from the European Investment Bank. The first was in the form of a "emergency credit," the second part of the financial protocol agreement signed with the EEC.

Major diplomatic efforts to secure additional aid have been spearheaded in recent weeks by Sr. Diogo Freitas do Amaral, the Portuguese Foreign Minister. Sr. Amaral has been using the strong links between his Christian Democrat party and Britain's Conservative party to impress on the UK Government the political advantages of a speedy solution to the problem.

BRUSSELS — Unemployment in the nine nations of the EEC hit 6.3 per cent of the workforce in August, a new high and a continuation of Western Europe's bleak employment picture, according to statistics released yesterday.

FINANCIAL TIMES, published daily except Sundays and public holidays. Subscription rates: £10 per annum (UK), £12 (overseas). Second Class postage paid at New York, N.Y., and at additional mailing offices.

## Leslie Colitt talks about the future with leaders of Poland's dissident KOR

### 'We Poles like to do things openly'

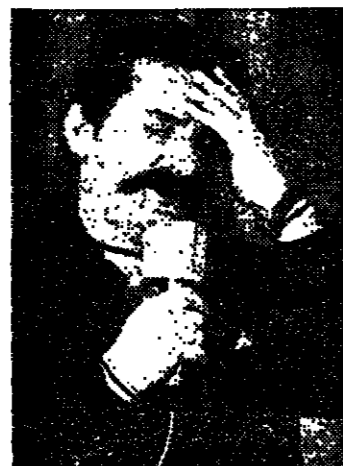
IN A tiny flat packed with members and supporters of KOR, the leading Polish opposition group, I asked what kind of Socialist system they would accept—and was wholly unprepared for the answer. "None," came the instant reply.

What does this mean for the prospect of a future compromise with a more reform-minded Polish Communist Party and, ultimately, with the Soviet Union? For the rest of the evening and days afterwards I received answers from the opposition which provide clues to the question of where Poland is heading.

"We often had reform Communism in the past," said one prominent writer, who is active in the KOR movement. "It was later called revisionism by the party and it didn't work."

KOR, the Social Self Defence Committee, was formed by intellectuals in 1976 to help workers sacked after taking part in the Radom and Ursus factory riots against food price rises. Its tireless educational activity, informing workers of the need to form independent trade unions and to curtail censorship—through underground publications such as Robotnik (The Worker)—created a bond with dissatisfied workers never before achieved by East European intellectuals.

One of KOR's founders, Jacek Kuron, has been appointed an adviser to the Gdansk strike leader, Lech Walesa, who is organising the first independent trade union in a Communist country.



Lech Walesa: organising free unions under Communism

"The problem is that the reformers in the Communist Party still want to preserve the one-party system," said another KOR member. He and others in the opposition regard the independent trade union as only the first step towards a more pluralistic society.

"Besides, there is no Dubcek in sight here," offered another KOR supporter, who said the "system has no ideologists any more, only tanks."

The Polish opposition, consisting mainly of a few hundred KOR members of whom perhaps 30 are activists (aged chiefly between 19 and 35), is not a homogeneous group. The other human rights organisation, ROPCO, is highly factionalised

and less influential. KOR members and supporters range from the Catholic-oriented Young Poland (YP) movement to Marxists who want to bring "bourgeois rights" from the Communist Party of Poland.

There are influential KOR members such as Bogdan Borusewicz, an historian, who was one of the founders of the free trade union movement in Gdansk. A few years ago it had only a handful of members including Mr. Walesa, the Lenin shipyard strike leader. Today, although Mr. Borusewicz is not in the presidium of the new union being organised and is not an adviser, he acts as a kind of "free electron" inside the Hotel Morski in Gdansk, which is the headquarters of the new union.

Mr. Borusewicz was sentenced to three years' imprisonment in Gdansk in 1968 for distributing underground pamphlets and was granted amnesty after 18 months. He attended the Catholic University in Lublin, the most liberal in Poland, where he took part in an opposition group concealed as an historical society. In 1976, during the food riots, the students joined forces with workers which he says was the "turning point."

His activity in the underground was typical of the illegal work of many KOR members to this day. A fellow KOR member observed that "we Poles like to do things openly. But don't forget that during the second world war Poles had the



Jacek Kuron: KOR founder, now advising Walesa

best conspiratorial network in Europe. Some of this spirit is still alive."

Although Mr. Borusewicz was associated with YP, which has pre-war roots, he rejected its hyper-nationalist aspects as a liberal. "We tolerate each other's differences," he noted, and acknowledged that most KOR members have links with the "leftist traditions" of Poland.

As for the kind of Socialism which might develop in Poland, he said he does not agree with "any system" which currently practises Socialism and is called Socialist.

"There must be pluralism in every way," he offered, saying that he does not "see a chance

for a Socialist system in Eastern Europe to survive." He favours steps towards reforming the socialist system in Poland, however, by legally restricting censorship, for example. The Party, he explained, will continue to have a monopoly over some fields of activity while the new trade union will refrain from playing the role of a political opposition.

Jacek Kuron repeated his iron rule: "Don't burn party committees, create your own committees." He said the rulers have lost their "monopoly on decision making" and their authority within the population.

Mr. Kuron said he does not believe the Polish leadership will risk democratisation and admitted that forces could be unleashed which the authorities might no longer be able to harness. He was pessimistic that the Polish leaders could come up with a reform programme which would "satisfy the people."

Thus, he argued, the "opposition must initiate the movement toward democratisation." He acknowledged the importance of the Soviet Army in all KOR's calculations but said the Soviet Union would not "dare an armed intervention" as long as Poland did not overthrow the Polish Communist Party which is "obedient to Moscow."

The difficulty for Mr. Kuron is knowing how far KOR can press the badly weakened Communist Party without bringing about what all sides refer to as a "national disaster."

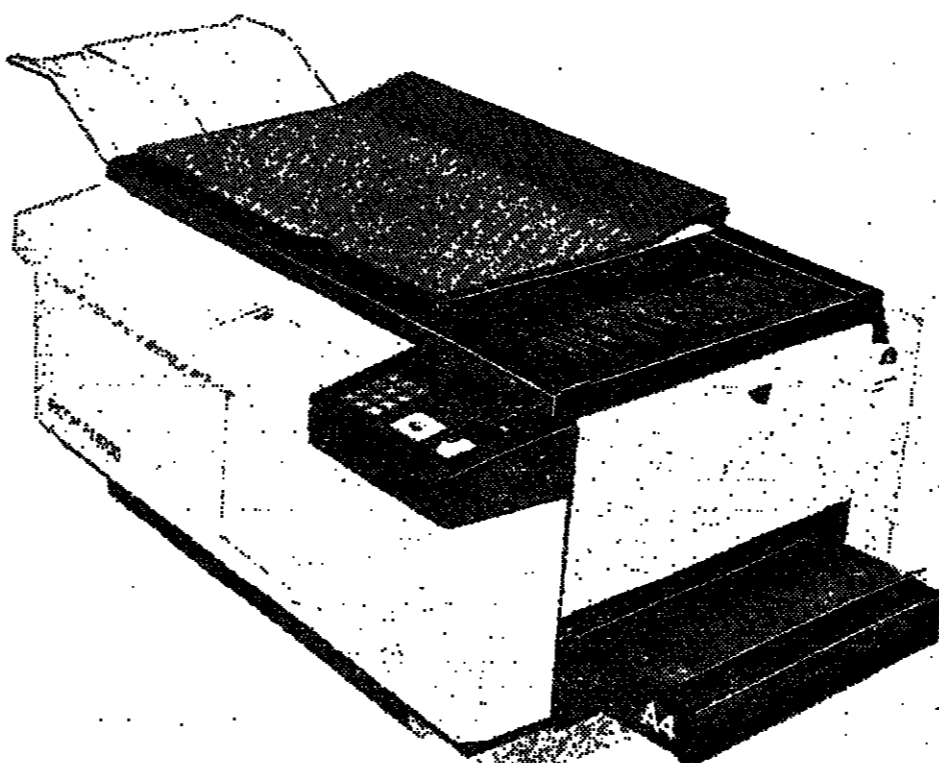
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## EUROPEAN NEWS

## Kurdish youths arrested in Turkey

BY DAVID TONGE

OVER 500 Kurdish youths were arrested in the eastern Turkish town of Diyarbakir yesterday, following a protest against the Turkish armed forces. Residents of the working-class area of Baglar who were questioned on the spot claimed that people had taken to the streets with banners calling for "an end to martial law" and "a curse on exploitation."

The local martial law authorities deny that any demonstration took place, though they say that banners were hung in the streets. But they reacted by sending a dozen

tanks and an estimated 1,000 troops to comb the low houses and shops of the Baglar area, which lies behind Diyarbakir's donkey market and train-marshalling yards. Baglar was closed for two hours.

There have been no other reports of public demonstrations since the Generals seized power on September 12. On Sunday the local martial law authorities were given the right to shoot to kill those disobeying them.

Baglar residents said that the protest had been organised by a Kurdish group called Rizgari, the Kurdish word for liberation.

This group is one of 15 left-wing Kurdish groups which have been agitating against the firm grip which Ankara exercises over the Kurds.

The Kurds form about one-seventh of Turkey's 45m population and are concentrated in the country's mountainous south-east.

Many live under feudal conditions, being dominated by clan chiefs and landlords who rely on armed groups and, at times, on the central Government to impose their authority on the villagers.

Ankara has long been worried

about trouble from Iraqi or Iranian Kurds spilling across its largely unpoliced borders. In 1925 there was a Kurdish uprising against the Government of the two-year-old Turkish republic.

Kurdish is not taught in schools and Kurdish books only circulate clandestinely. The Diyarbakir area has always been tightly controlled by the army.

Most recently it has been under martial law since December 1978, though the army has tightened its hold since the Generals seized power.

## Steady fall in Swedish deliveries and orders

By William Dullforce in Stockholm

SWEDISH INDUSTRY'S deliveries and order books have been declining steadily this year, according to the July figures released by the Statistical Central Bureau. Sweden's industrial recovery, which started after the devaluation of the krona in 1977, reached a peak at the end of 1979.

The July order intake was some 15 per cent lower in volume than in July last year. The decline for the three months to the end of July was also 15 per cent.

Deliveries were 9 per cent higher in July than in July last year, but in the three months to the end of July they show an 8 per cent fall. The monthly figures have been distorted by the strikes and lockouts in May, when exports were blocked for almost three weeks.

The statistics bureau estimates that industrial output in the second quarter was 4 per cent lower than in the corresponding period last year. Production for the first half was 1 per cent higher than for the first half of 1979 but, after seasonal adjustment, was about 2 per cent below the level in the second half of last year.

The bureau's preliminary estimates of Swedish industrial performance during the first half show an improvement of about 0.5 per cent in their profit margins (earnings after depreciation and financial charges in percentage of turnover), and a 13 per cent rise in sales. More than half the 230 companies supplying figures improved their margins.

The inquiry into companies' export and import expectations conducted by the bureau in August points to a Swedish trade deficit of SKr 8.9bn (£895m) this year. This, in turn, implies that trade during the last four months of the year should be almost in balance, as preliminary estimates for the first eight months showed a SKr 8.6bn deficit.

The Bureau's explanation is that companies anticipate a decline in domestic demand and therefore in imports, while deliveries held back by the strikes can swell the second half export figures.

## OVERSEAS NEWS

## Death toll rises as Indian floods force 3m to flee

BY K. K. SHARMA IN NEW DELHI

AN ESTIMATED 3m people have fled their homes in the coastal districts of Cuttack and Puri in Orissa State, Eastern India, where the Mahanadi River is in spate and has deluged the entire delta area.

Thousands are reported to be in waist-deep water trying to reach safer points. The death toll which reached 250, after flash floods over the weekend, is still rising.

The State Government has called out the army, and troops are taking motor boats to rescue thousands marooned in hundreds of villages, from where SOS messages were received at Bhubaneswar, capital of Orissa, yesterday. The

air force is helping by air dropping supplies.

The turbulent Mahanadi River has breached embankments in at least six points in the delta area, and many of its tributaries are also in spate. Damage to crops and the state's economy has not yet been assessed, but is bound to run into several billion rupees.

The iron ore mines in the hilly areas are still safe, but it is thought that exploratory work for oil in the Mahanadi Basin could be affected if the situation deteriorates further.

As the situation worsened in Orissa yesterday, reports also came of heavy rain in the states of Uttar Pradesh in the north

and Andhra in the south. The Ganges is rising fast and is threatening the holy city of Varanasi (Banars), following continuous torrential rain for the past 48 hours in many parts of Uttar Pradesh.

In Andhra, nearly 50 people have drowned in floods which have affected many villages where evacuation operations are in progress.

India has had an unusually good monsoon this year after last year's disastrous drought and this is bound to improve its economy, particularly agricultural production. Unfortunately the floods in the wake of the monsoon have caused havoc in some parts of the country.

## Ireland acts on petrol emergency

By Stewart Dalby in Dublin

THE IRISH Government yesterday announced emergency measures to ensure petrol supplies in the Dublin and surrounding areas for such special groups as doctors, nurses, undertakers, veterinary surgeons, taxi drivers, clergymen and handicapped drivers.

The action became necessary as the result of a two-week strike by 400 tanker drivers in five of the six main distribution companies. They refused to take out their vehicles because of a dispute about productivity and working conditions.

This has left only one main company, Esso, plus a much smaller company called Oia, distributing supplies.

Only Dublin and the surrounding boroughs have been affected, but petrol in the capital has been reduced to a trickle. Although buses are still running, the reduction in traffic is very noticeable. Mile-long queues have formed outside Esso stations.

The Government yesterday designated certain retail filling stations—roughly 12—as places where special categories of people could obtain petrol on showing identification.

It had been suggested that Mr. Charles Haughey, the Prime Minister, would call in the army to distribute supplies—there is plenty of petrol in the depots. The Government has refrained from making such a decision in case it provoked a country-wide strike.

## EEC budget under scrutiny

BY JOHN WYLES IN BRUSSELS

THE COLD wind of fiscal stringency will blow through Brussels today when EEC budget ministers will risk another clash with the European Parliament by making substantial cuts in European Commission budget proposals for 1981.

France and West Germany are expected to lead the attack on the Commission's suggestions, which would boost EEC expenditure next year by 27.8 per cent to £12,632bn. With Government spending an electoral issue in both countries, each is anxious to be seen batten down the financial hatches in Brussels.

Of additional importance, particularly to France, is that all savings made on the Commission's proposals amount to potential farm price increases which France wants available for its politically volatile

farmers in advance of next April's presidential elections.

The draft budget being considered today makes no provision for any such increases and consumes all but £346.5m of the Community's "own resources."

Even without a farm price increase next April the dynamic growth of agricultural spending means that some time next year the EEC will almost certainly hit the revenue ceiling imposed by 1 per cent of member states' VAT collections.

As a result, Ministers are bracing themselves for possibly the toughest budget drafting exercise in EEC history, with spending proposals in the regional and social policy areas under greatest threat.

The result of their efforts will be sent to the Parliament, which will make its own amendments in November. The Parliament and the Council will then either have to reach a

compromise in December, or risk a repeat of last year's confrontation when MEPs delayed adoption of the 1980 budget until just two months ago.

Parliament's demands for a better balance in Community spending will almost certainly not be met. Some £3.19bn has been allocated for farm price support and is therefore sacrosanct—as is virtually all of the £972m allocated for the UK's budget rebate.

France and Germany are believed to be looking for a 20 per cent cut in the Commission's proposed £945m spending on regional and social policy next year. Heavy reductions appear inevitable.

Today's session will be Greece's first direct experience of an EEC Council of Ministers meeting in advance of its accession to the Community next January.

## Berlin strike takes new turn

BY LESLIE COLLITT IN BERLIN

THE STRIKE by West Berlin railwaymen, employed by East Germany's Reichsbahn railway system, took a wholly new turn yesterday with the strikers demanding that the Reichsbahn's West Berlin operations be placed under Western control.

A strike committee, representing some 600 West Berlin railway workers involved in the stoppage, said they were no longer prepared to work for the Reichsbahn, which has operated railway services in West Berlin under Allied jurisdiction since 1945.

Passenger rail services to and from West Berlin resumed yesterday after strikers evacuated a signal station, but freight trains, carrying about 20 per cent of West Berlin's imports and exports, were still not running.

The latest demand by the strikers—who are also calling for higher wages, better social conditions and a free trade union, "as in Poland"—could hasten a settlement of the six-day-old strike.

lin has indicated it is no longer interested in subsidising the S-Bahn—the elevated commuter railway system in West Berlin—which it says lost DM140m last year. Only last week it announced the end of night time service on the S-Bahn which triggered the current strike of railwaymen.

The strikers have called on the West Berlin City Government to negotiate with the three Western Allies in West Berlin and East Germany on placing the S-Bahn under a new Western ownership.

## People's Daily criticises Hua

BY TONY WALKER IN PEKING

THE People's Daily, China's Communist Party newspaper, has published an extraordinary article criticising the way in which Hua Guofeng became Chairman of the party.

While the article does not mention Hua by name, it implies he succeeded to the chairmanship by unorthodox means. The article can also be interpreted as further criticism of the late Chairman, Mao Tse-tung, who nominated Hua as his successor with the words: "With you in charge, I am at ease."

The criticism was carried in a long article published attacking one-man rule.

"Since the power of a leader is bestowed by the people, he has no right to appoint the successor to the post which does not belong to him," the signed article said.

Diplomatic observers see the pointed criticism of the way in which Hua became Chairman as part of a continuing power-struggle to select a legitimate successor to Mao.

In 1976, on the death of Mao and Chou En-lai, Hua was appointed Premier and Chairman. At the recent National People's Congress, he lost the Premiership, and may well have had his grip on the Chairmanship loosened.

The article compared the practice of a ruler appointing his successor to the feudal behaviour of emperors.



Hua Guofeng

fer puts the fate of the nation in the hands of one person.

"The old emperor could make the wrong judgment in his choice, or the new emperor could change his outlook. When this happened, the whole nation was imperilled."

This is the second time in about a month that historical analogies have been drawn in People's Daily articles between the operation of the feudal courts and the circumstances that prevailed in the last years of Mao's life.

The article may be part of manoeuvring in the lead-up to

a National Party Congress either later this year or early next. The party congress will consider a recommendation that the tenure of the party Chairman be strictly limited so that an individual does not become ruler for life, as was the case with Mao.

The People's Daily correspondent laid stress on the need for collective leadership. "Leaders of a party central committee should be those who have the highest prestige in the whole party. The reality of the Chinese Communist Party is that the highest prestige is accorded to a group of people rather than a single individual."

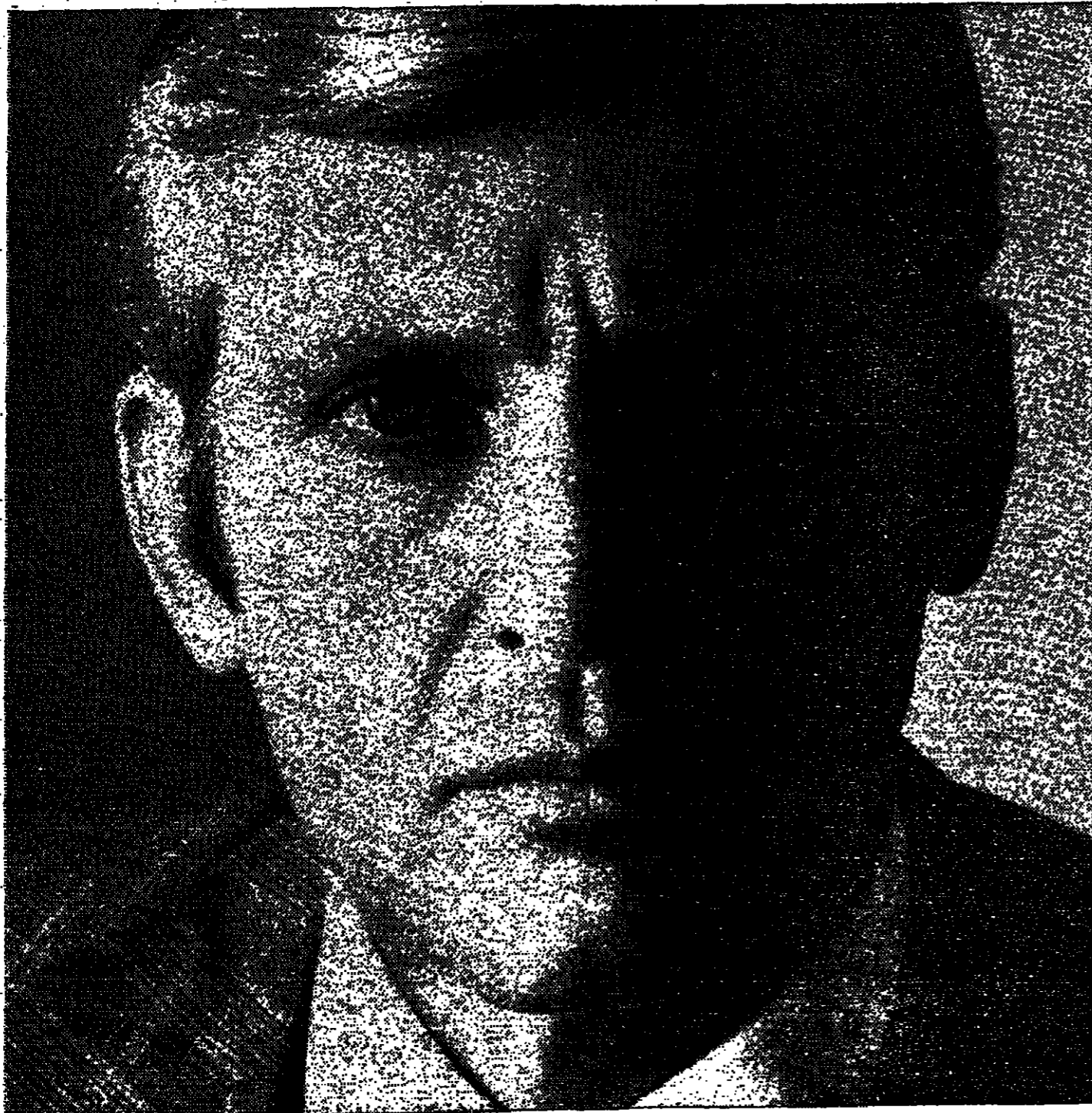
Pointedly, the article compared recent events in China unfavourably with the practice in the West, by implication strongly criticising Mao's action in nominating his successor.

Criticising elements of Mao's rule, the article said: "The most important lesson we should learn from the 10-year catastrophe (the Cultural Revolution) is that we should never again have one-man rule."

One interpretation of the criticism of Mao and, by implication, Hua, is that party moderates want to make sure the Chairman is not in a strong position to spearhead an attack on the Rightist economic policies they are now pursuing. A longer-term strategy may be to wrest the Chairmanship from Hua altogether.

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## AMERICAN NEWS

## Jurek Martin in Washington reports on the campaign debate which Mr. Carter decided to miss

# TV combatants avoid the pitfalls

OPINIONS were divided yesterday over who profited most from the initial television debate featuring presidential candidates in Baltimore on Sunday night—Ronald Reagan, the Republican, and John Anderson, the Independent, who took part, and President Jimmy Carter, the Democrat, who sat it out.

Critically for the two participants, neither put a major foot wrong. As President Gerald Ford had four years ago when he tried to deny the existence of Soviet domination of Eastern Europe in his confrontation with Mr. Carter. Both generally stuck safely to their well-practised campaign scripts.

Both showed reasonable command of factual material, an important matter for Mr. Reagan, prone, as he is, to slips of the tongue when dealing with complex subjects. Both, while

taking occasional digs at the absent Mr. Carter, appeared relaxed and in good humour. Mr. Anderson was sharper in his attack on Reagan than vice versa but never to the point of heat. Mr. Reagan's well-known amiability and skill in delivering one-line homilies was well to the fore.

Somewhat predictably, Washington commentators tended to view Mr. Carter as the loser for shunning the event. The President had insisted that no triangular debate should take place before he had had the opportunity to take on Mr. Reagan face-to-face. Since he considers the Anderson candidacy a threat to his own reelection, he is intent on doing nothing that would legitimise Mr. Anderson's pretensions to the White House.

The President's advisers have

always believed that Mr. Carter would suffer damage from not taking part but that it would be short-lived. In the event, the first debate (and possibly the last) may have justified their expectations for Mr. Carter was not greatly pummeled in absentia. In addition the League of Women Voters, which staged the debate, dropped its original plan to have a symbolic empty chair on the platform to demonstrate the President's non-appearance. Reagan television commercials earlier in the day did use this device.

If there was a flaw in Mr. Reagan's performance it was probably that he spent much of his time preaching to his committed conservative audience rather than reaching out for middle ground support.

Certainly, on such thorny

questions as abortion, he was uncompromising. "I've noticed that everyone who is for abortion has already been born," he remarked, a telling line though one which may not stand up to textual analysis.

On the economy, he again showed his knack for reducing the complex to everyday terms. Cutting Government spending was like cutting a child's pocket money. On the plight of the cities, he asked:

"Wouldn't it make a lot more sense if the Government let them keep their money in the first place?" No one in the country should be denied the right to express themselves.

The strong anti-Washington strain is, of course, a staple of Reagan conservatism. He repeated that the energy problem could essentially be solved if Government shackles were



John Anderson, the independent candidate, and Ronald Reagan (Republican), in confident mood at the start of their debate.

taken off industry, so could the plight of the cities, inflation and just about everything else that ails the country.

Mr. Anderson's task was to give people reason to vote for him. He demonstrated once again that he is good in argument and not afraid to take controversial positions. He repeated, for example, his belief in a 50 cents a gallon tax on petrol and his opposition to a politically popular tax cut while inflation still raged.

Nor would he buy the Reagan hypothesis that Government was the root of all evil. He sought at times to widen the otherwise narrow political horizons of the debate by stressing the problems of the future—nationalism, proper use of natural resources and so on—

whereas Mr. Reagan once again evoked America's past greatness and divine right to supremacy.

The ultimate jury of course, is the public not the pundits. Two of the three major commercial television networks carried the debate live, the third, ABC, showed a movie, "Midnight Express." The overnight television ratings in New York, Chicago and Los Angeles revealed that between 42.45 per cent of those watching on Sunday night chose the debates, a similar percentage watched the film, and the rest something else. The number of television sets turned on was about average for a Sunday night in September. It was estimated that perhaps 50m-55m Americans watched Mr. Reagan and Mr. Anderson go at it, a respectable, though not staggering audience.

## Dockers accept 34.6% increase over 3 years

BY DAVID LASCELLES IN NEW YORK

SMOOTH NEGOTIATION of a new three-year pay contract for 50,000 East Coast dockers in the U.S. has come a step closer with the approval at local level of a rise of 34.6 per cent over three years. However, dockers at two big ports, Philadelphia and Mobile, still oppose some details of the deal, such as pension rights and demarcation.

These will have to be ironed out before the present contracts expire on October 1. But a union spokesman said yesterday that he did not expect these problems to endanger the settlement as a whole.

Earlier, there had also been some local opposition in Houston, the large Gulf of Mexico port. This was resolved over the weekend.

Approval was foreshadowed

when leaders of the International Longshoremen's Association agreed on the broad outline of a new contract with employers last May. Since then the details have been worked out at local level.

On most previous occasions, the IILA has struck to reinforce

its demands. However, this time a combination of union politics and employers' eagerness to settle without labour disruption smoothed the path. The union was particularly concerned that a strike would lead to the diversion of work to Canadian ports at a time when Atlantic freight rates were cutting into profits.

The 34.6 per cent increase is above the 9 per cent a year wage guideline set by the Carter Administration. But it is in line with other recent industrial settlements where union leaders have argued that part of the increase is outside the guideline.

The IILA spokesman said he could not comment on how the settlement squared with the guidelines.

Under the terms, dockers on the Atlantic and Gulf coasts will have their hourly rates raised from \$10.40 to \$14 an hour over three years. But there will also be a small increase in their pension contributions.

One item in the contract is a holiday on the birthday of Mr. Teddy Gleason, the IILA's 78-year-old president.

## Mexico's food imports likely to cost \$2bn

By William Chislett in Mexico City

THE DEPTH of Mexico's agricultural crisis was underlined at the weekend with an announcement by the Trade Ministry that this year's food imports will amount to 12.1m tonnes, compared with 3.7m tonnes last year. The figure is 73 per cent higher than originally forecast.

St. Hector Hernandez, Under-Secretary for Trade, said the cost of the imports would be about \$2bn (\$834m)—16.6 per cent of the estimated \$12bn revenue from oil and natural gas exports.

The crisis has coincided with Mexico's oil boom. The rural sector has long been the problem child of the Mexican economy, but this year the position is worse than ever.

Agricultural production, hit by drought and decades of neglect, cannot keep up with the 2m-a-year rise in population.

## Swiss reject U.S. protest at nuclear exports

BERN—Switzerland said yesterday it is prepared to discuss an international agreement for more severe curbs on sensitive nuclear exports, but is not willing to start curbs unilaterally at the request of the U.S.

The Swiss Foreign Ministry, commenting on reports that the U.S. had renewed protests over sales of Swiss equipment for a Pakistani uranium enrichment plant, said: "If the U.S. wants to expand the internationally agreed lists of sensitive equipment it must seek a new international agreement. We are ready and willing to take part in such talks."

The Ministry added that any new lists must apply to every one.

The Swiss insist that the deliveries to Pakistan, which have provoked Washington's protests, contained no item of sensitive nuclear goods.

## Baltimore's verdict: Carter was the loser

BY DAVID BUCHAN

IN BALTIMORE (Baltimore) they like a prize fight as much as anyone else in Merila (Maryland), and the first television presidential (presidential—getting the hang of it?) debate on Sunday night briefly focused the nation's attention on the city and its curious dialect.

It did not perhaps bring quite as much satisfaction to Baltimoreans as did the Oryals' (Orioles—the city's well-known baseball team) beating off the Toronto Blue

Jays over the weekend. But the sparring match between Mr. "Sugar Ronnie" Reagan and Mr. John Anderson "the Illinois express," set chins wagging.

Fugilism and psephology were mixed in equal proportions in the city's bars after the contest as people tried to work out who outpointed whom—there was no clear knock-out. The only agreement was that Jimmy Carter probably lost a little by not turning up to defend his title. General bar-room consensus

was that the early rounds probably went to Mr. Reagan, who, more accustomed to the arena of television, swung the loser at the start than Mr. Anderson, who stiffly quoted too many Princeton and Harvard studies.

Several times Mr. Reagan also used the disarming tactic of a clinch by sweetly referring to his debating opponent as "John." Each time, however, the independent candidate fought loose, tartly setting his distance with

"Governor Reagan."

But Mr. Anderson, limbering up, eventually came out swinging on the issue of abortion and wound up saying he would like to have gone three further rounds with the Republican candidate. Mr. Reagan, perhaps tiring by the end of the hour, went on to automatic and gave his oft-repeated spiel about "this land being placed between two oceans for some divine purpose" and wanting to lead Americans to build "a shining city on a hill".

## New York faces commuter revolt over rail services

BY PAUL BETTS IN NEW YORK

THE DISMAL conditions which hundreds of thousands of New York rail commuters face each day now risk developing into a full scale revolt, led by a normally well-mannered and quietly spoken middle-class population.

Overcrowded and overheated carriages—as air conditioners inevitably break down and car windows are sealed—combined with regular equipment failures, causing long delays, are already provoking mass protests. Commuters are refusing to show their tickets, tearing them up in front of baffled conductors or

quite simply refusing to pay. On one train last week, my local "steamship special" from Mamaroneck to Manhattan's impressive Grand Central terminal, the conductor preferred to stay in his cubicle rather than face the angry crowds packed in the aisles.

The exasperation of most commuters has been described by some railway officials as "transcending credibility"—American officials for "beyond belief." Passengers on the Conrail network—which serves the New Haven, Harlem and Hudson areas, including Mamaroneck—

have been accused of "acting like gutter urchins when they get upset."

Mr. Joseph Spreng, the new general manager of Conrail's metropolitan region, was reported to have described commuters in the following unflattering terms: "These people are really senior management guys, very well educated and successful. But when their frustrations reach the limit, they are the same as those rock-throwing, Molotov-cocktail throwing guys down in the South Bronx."

Mr. Spreng protested that he

had been misquoted, but commuters knew what he was talking about. When the Conrail trains express their way through the urban wasteland of the South Bronx, they are occasionally pelted with bottles and bricks, or hit by the odd bullet.

Mr. Spreng took over at Conrail earlier this summer after the former metropolitan region general manager—a certain Mr. Kenneth Smith—was apparently forced to step down in the wake of a crescendo of commuter protests and fierce local newspaper attacks labelling the network as "Conrail's

railcon". Conrail's problems date back to 1976 when the Government created the Consolidated Rail Corporation (or Conrail) out of the ashes of the bankrupt Penn Central company and five other north-eastern railways, pumping in \$3.3bn of Federal funds.

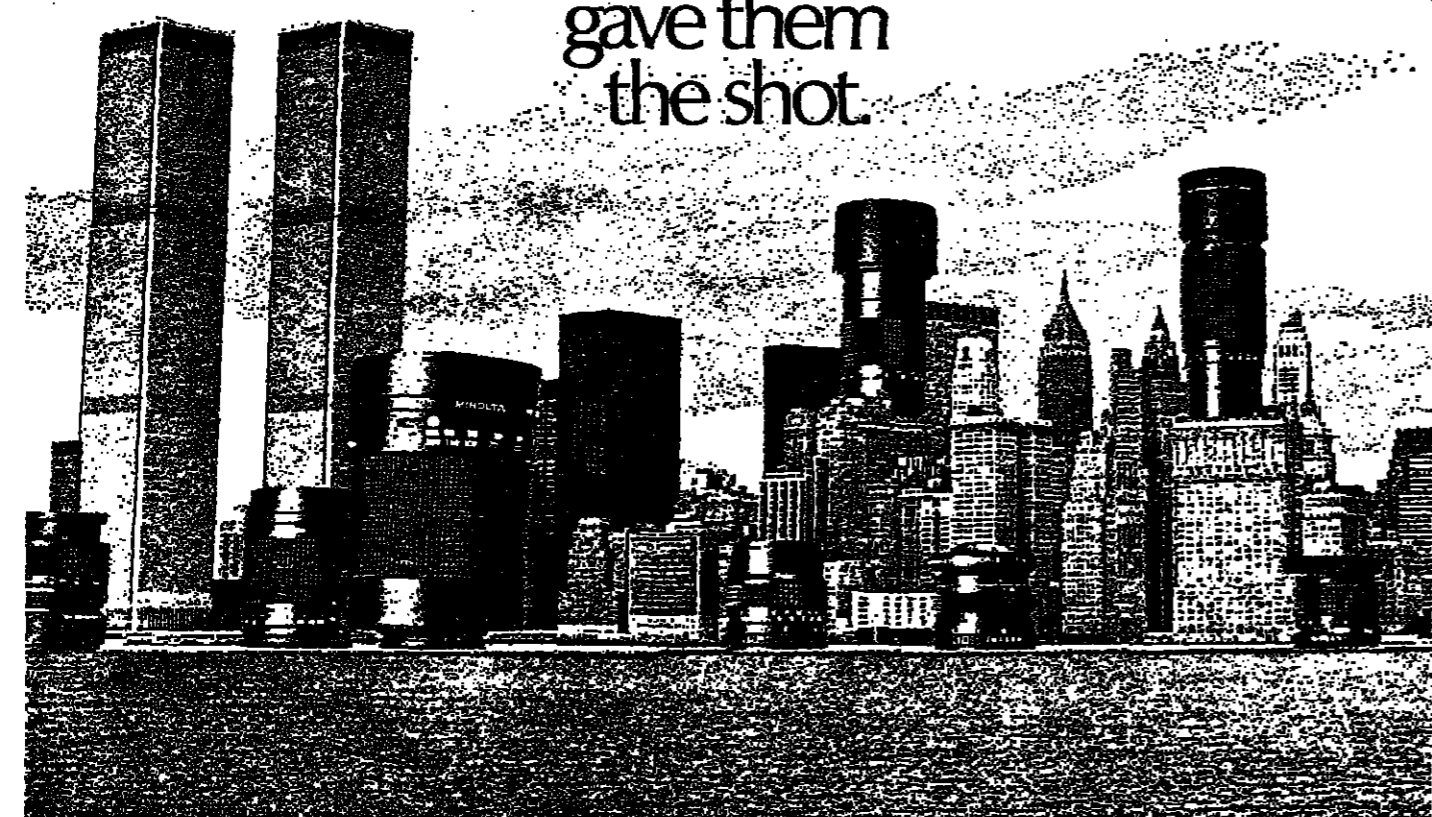
But because about 90 per cent of Conrail's business is in freight, commuter services have inevitably been dragged down to second class status. While passenger volumes on the New Haven, Harlem and Hudson commuter lines have increased

by nearly 30 per cent since 1976, the size of Conrail's fleet has remained virtually unchanged.

Conrail claims the restricted level of funding available to the railway from New York's Metropolitan Transport Authority has led to unsatisfactory maintenance, obsolescence of some equipment and insufficient cars. It has thus called for substantial additional funds from the Government, totalling about \$900m on top of the \$3.3bn already authorised to enable it to meet its targets in the next five years.

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Federico Delgado, Treasurer Vice-President, Industrias Peñoles.

Lawrence Miller, Vice-President, Chemical Bank, photographed at Industrias Peñoles' Metmex division in Torreon, Mexico.

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potential in the industry and to minimize its dependence on price-sensitive lead and zinc, Peñoles embarked on a major program of exploration and expansion—for which substantial amounts of money were required.

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lend Peñoles over 50 million dollars. With the funds provided, Peñoles substantially increased capability. And with Mr. Miller's demonstrated understanding and responsiveness to the company's changing needs, Mr. Delgado has since come to him for help with investments and cash management services.

Based on the professionalism exhibited on both sides, the relationship between Mr. Delgado and Mr. Miller has ripened into one of mutual respect. That's what usually happens when corporate bankers get together with Chemical Bankers. And what results is long-term benefits for both the company and the bank.

The difference in money is people. **CHEMICAL BANK**

## Japan car makers deny 'gentleman's' pact in U.S.

By Richard C. Hanson in Tokyo

IN SPITE of a general agreement that Japanese car exports to the U.S. will level off, or fall slightly, toward the end of this year, the Ministry of International Trade and Industry (MITI) and the two largest motor companies vigorously deny it represents anything like a "gentleman's agreement" on voluntary export restraints.

The issue arose last week after Mr. Rokusuke Tanaka, the MITI Minister, said in the U.S. that exports by the Japanese car makers in the last quarter this year will fall below those in the corresponding quarter of 1979.

This prediction, MITI says, was made after a poll of forecasts made by Toyota, Nissan and Honda. Reports, however, soon emerged that the U.S. Fair Trade Commission would let into the situation to determine whether the Japanese makers were "conspiring" to hold down shipments.

This would violate U.S. anti-trust regulations. MITI and the makers say the forecasts are based solely on conditions in the U.S. market. The reason exports may drop is related to price increases and stiffer U.S. competition.

Mr. Tanaka met the major Japanese exporters to the U.S. (Toyota, Nissan and Honda) which account for more than 80 per cent of cars shipped from Japan) to emphasise that such exports should be "prudent." This is also the catchphrase used when the UK and Japanese motor industries meet twice yearly to ensure that Japan does not take too large a market share in Britain.

The UK understanding represents, in effect, just the type of arrangement Japanese companies are careful to avoid, even the appearance of in the U.S.

The Japanese companies manage to jockey among themselves for bigger individual slices of the UK market, while regularly assuring the British motor industry association, SMMT, that they will export "prudently."

"I'm not even sure there is a gentlemen's agreement with the UK," comments one Japanese industry official. MITI is urging that each motor company decide on its own policies of exporting to the U.S. The hope is that some signs of goodwill on the part of the companies will help avoid any further build-up of protectionist sentiment in the U.S. Congress.

## Japanese for traders

INCREASING trade with Japan has prompted a Scottish University to introduce evening classes in spoken Japanese.

The course, being run at Sterling University, is designed for those with no knowledge of the language and there is no reading or writing involved.

## Thomson-CSF wins £75m Iraq broadcasting deal

By Terry Dodsworth in Paris

THOMSON-CSF, THE French electrical and electronics group, has overcome strong international competition to win a FFr 750m (£75m) order to set up a radio broadcasting system in Iraq.

The deal underlines the strong and growing links between French companies and Iraq, now one of France's largest oil suppliers. Thomson itself has benefited greatly from these contacts, notably with a similar order for television network equipment, and it is believed, with a contract to establish an electronics and communications manufacturing industry in Iraq.

Although this last deal has never been confirmed by the French company, it has been

## French and Japanese tool makers in joint venture

By Our Paris Staff

TWO OF the largest machine tool companies in France and Japan, H. Ernauld-Somua (HES) and Toyoda Machine Works are linking up to form a joint company for the development and manufacturing of common products.

The deal marks a clear attempt by both companies to increase their impact on international markets while reducing costs and strengthening their product ranges. As an initial aim, the joint company, HES-Toyoda, is aiming to unveil an advanced electronic milling machine at the Hannover Fair next year.

For the Japanese group, the agreement has also been conceived as a way of giving it a foothold in Europe, where the company clearly fears protectionist action because of the depression in the industry.

Mr. Shigemitsu Asai, chairman of Toyoda, said in Paris that his company prefers this arrangement to trying to make a solitary attack on the European market.

The agreement for the French company forms a significant part of its plans to pull

FOREIGN COMPANIES seeking to sell equipment to the urban mass transport authorities in the U.S. have been handicapped since 1978. If Senator John Heinz of Pennsylvania has his way then the foreign companies would find the barriers to their sales almost insurmountable.

The Surface Transportation Act of 1978 provided that federal funds used to buy equipment could only be used if 51 per cent of it was U.S.-made. The equipment would, in any case, have to be assembled in the U.S. If the conditions were

not met then the foreign price had to be at least 10 per cent less than the nearest competing U.S. bid to be accepted.

Senator Heinz wants the Buy America provision raised to 70 per cent. An amendment to this effect, attached to an enabling Bill providing \$24.8bn federal funds to the Urban Mass Transport Administration, is now before the House of Representatives, having passed the Senate.

Meanwhile General Electric and Budd, the railway car manufacturer, are thought to be press-

ing for the 10 per cent contract price differential to be stiffened to 20 per cent.

The role of Budd in the whole matter is crucial. Budd is in Senator Heinz's state, and it is widely assumed that the group's urging prompted him to sponsor the amendment. It is the only remaining railway car manufacturer left in the U.S., now that Rohr, Pullman Standard and a Boeing unit have fallen by the wayside.

But Budd, although gearing up its production, has been missing local contracts. Railway

car contracts for the Washington mass transit system were won by Breda of Italy. Kawasaki of Japan won them for systems in Cleveland and in Philadelphia, Budd's home town.

The only UK railway car manufacturer for mass transit systems is Metro-Cammell, the Laird group subsidiary. The company has ambitions to enter the U.S. market, but would be unable to do so without very heavy use of U.S. sub-contractors.

Other UK companies like GEC's

electric power subsidiaries and, to a lesser extent, Westinghouse Brake and Signal would face severe problems by the enactment of the Heinz amendment. The GEC companies have been examining the possibility of setting up assembly plants in the U.S. but are unlikely to do so if the local content provision is raised to 70 per cent.

Such reluctance defeats the object of the Heinz amendment which aims to encourage the establishment of more manufacturing units in the U.S.

Indeed, some European manufacturers doubt whether the planned expansion of mass transit systems in the U.S. can be achieved without considerable foreign participation. Transit authorities in the U.S. have already expressed their opposition to the Heinz amendment in conversations with European manufacturers.

These authorities are anxious to preserve the bidding competition which arises from active foreign participation. They want the flexibility of choice

which comes from having a number of suppliers.

And the Carter Administration is thought to be against the Heinz amendment, considering the building of barriers around the local industry to be inflationary.

The UK Government and the EEC are believed to have sought to impress the inflationary argument on the Carter Administration in protest notes. Both, in any case, consider the matter to be grossly protectionist.

Paul Cheeseright examines U.S. Congress moves on foreign sales to urban transport authorities

## 'Buy American' obstacles mount for overseas bidders

## Complacency and competition cited as culprits in poor export performance

By Andrew Taylor

INFERIOR MARKETING techniques, too little attention to local design needs, failure to meet delivery requirements and unfair overseas competition are factors often cited as reasons for the unsatisfactory export performance of the British manufacturing industry.

Last week's report from the National Economic Development Office (NEDO) on the UK building materials industry sought to unravel some of the problems and weaknesses of British management in export markets.

Compiled by the Building and Civil Engineering economic development committee, the report painted a familiar picture of an industry that has perhaps

been too complacent but which has also suffered from cut-price competition and restrictive trade barriers operated by both developed and developing nations.

Last year UK imports of building materials rose by just over 23 per cent to £1.76bn while exports rose by only 3.2 per cent to £1.18bn—a trading deficit of £581m.

The widening of the trade gap last year—after several years during which building materials exports rose faster than imports—reflects more than just the impact of a strong pound.

The report estimates that just under half of last year's import bill—£875m worth—was accounted for by raw materials

not generally available in this country. A further £200m was products that are periodically in short supply.

Of the remainder, about £200m was thought to have been in goods generally considered to be of superior quality to those produced domestically. A further £50m was accounted for by products that were competitive on price but inferior in quality to British goods.

What the report cannot show, however, is the full extent of "hidden subsidies" believed to have been made available to overseas rivals which enable them to undercut prices in export markets.

Last week's NEDO report said: "There is great concern over the use of standards in

statutory regulations by many countries as trade barriers, particularly as neither British Standards nor Agreement Certificates are generally used in this manner in the UK. The situation is especially serious for potential UK exporters to West Germany and France."

The use of product standards regulations as effective trade barriers is of particular concern to manufacturers seeking to sell to EEC countries, which account for about a third of British exports of building materials.

Particularly annoying to UK manufacturers is that, not only do they have to comply with ever-varying product legislation, they must also prove they are doing so by having their

products tested in the importing country—a costly and time-consuming exercise.

The NEDO report has recommended that Britain should consider "introducing statutory British standards to strengthen the UK's bargaining power in opposing foreign barriers to trade."

It would be tempting to lay all the industry's ills at the feet of unfair overseas competition, with the dumping of cut-price goods from low-wage economies another frequent complaint of British building material manufacturers.

The NEDO report, however, makes it clear that home producers must also bear some of the blame for a less than satisfactory export performance.

It cites the failure to market goods adequately or to take proper account of local needs as two areas where producers could make improvements.

It says: "Material producers' designers rarely travel abroad and so it is hardly surprising if a product designed for the UK market is found to be unable to withstand the rigours of the climate, the unskilled construction worker or even the journey."

Delivery times are another source of concern. The report says that while small and medium sized companies have "performed incredible feats" to meet delivery requirements "foreign competitors often do even better as they appear to be more willing to hold stocks,

both in their home countries and in overseas markets."

But it was on the question of design that the NEDO report was perhaps most critical. "There is growing evidence that the UK is being outstripped by competitors in many industries who have recognised the advantage of good product design."

The principal advantage to manufacturers of technically advanced designs is that these can place products above price considerations.

Clearly the domestic industry has grounds for grievances over its treatment in some overseas countries but equally some of its weaknesses are of its own making.

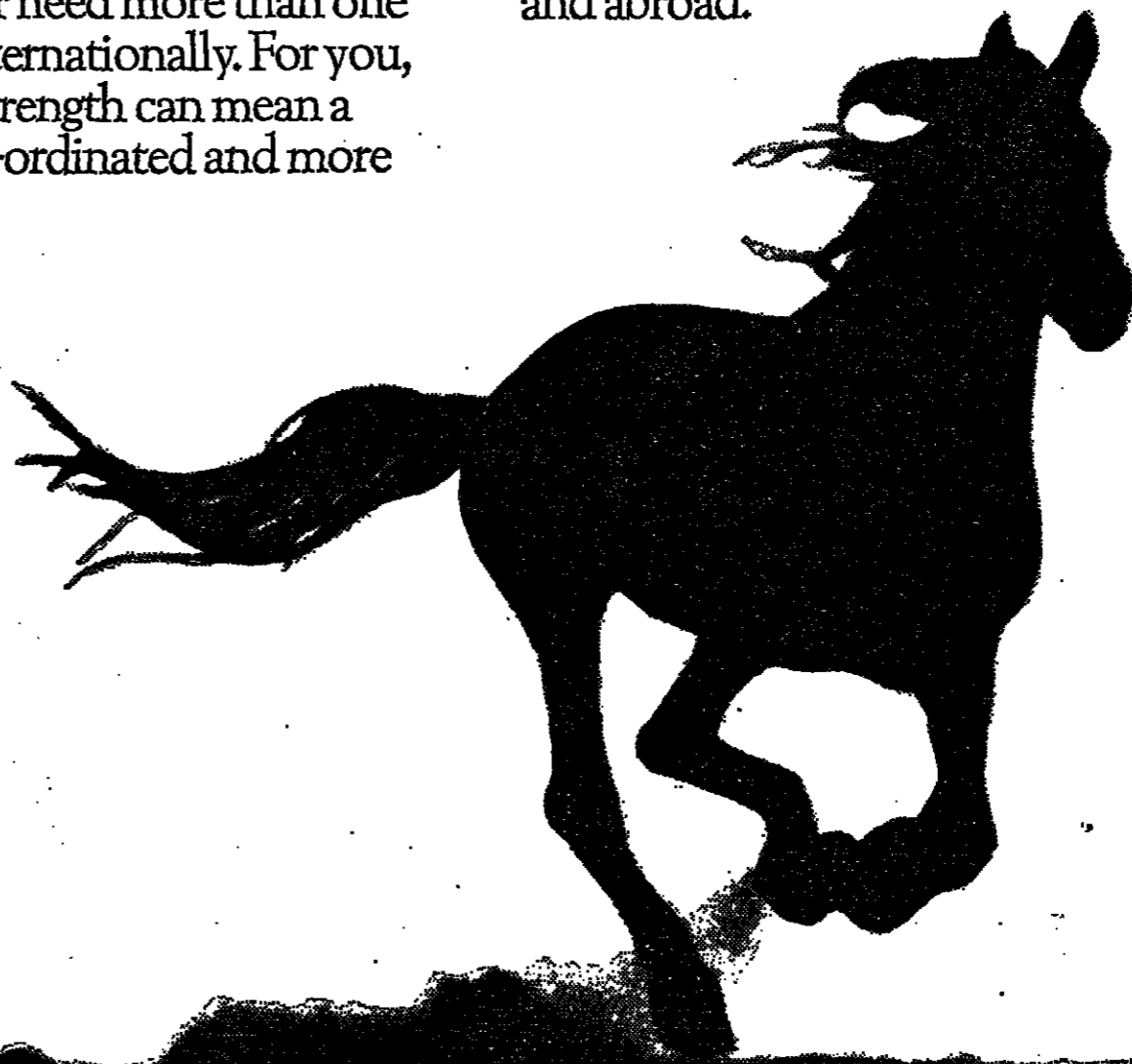
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## UK NEWS - LABOUR

## Joseph 'dialogue of death'

By Nick Garnett, Labour Staff

UNION LEADERS met Sir Keith Joseph, Industry Secretary, yesterday to discuss the state of the engineering industry in general. They left with almost nothing meeting their catalogue of requests for industrial and financial assistance.

The meeting was the first between Sir Keith and the Confederation of Shipbuilding and Engineering Unions on problems facing the whole engineering industry.

The unions will present further information in writing, to which Sir Keith will reply. A further meeting between him and the confederation on problems of the industry was agreed, but no date fixed.

Some union officials took this to be one of the most significant results of the meeting, that some form of dialogue had begun on the difficulties facing the country's principal industrial sector.

Sir Keith said however that he did not believe the Government could or would make any immediate moves to satisfy the union's expectations.

His department described the meeting as "friendly and constructive". However, Mr. Ken Gill, general secretary of TASS, the white-collar section of the Amalgamated Union of Engineering Workers, referred to it as a "dialogue of death."

Mr. Terry Duffy, AUEW president, said there had been no "solace" whatever on interest rates, the strong pound and import penetration. Sir Keith said there were no Government panaceas. He agreed to study, and to reply to, the unions' arguments for Government assistance on energy and fuel costs for manufacturing.

## Printing of Daily Star in London extended a month

BY JOHN LLOYD, LABOUR CORRESPONDENT

A THREAT by the Express Group to close the London printing operation of the Daily Star on September 27 has been lifted for a month from that date to allow talks between unions and management on economies.

Lord Matthews, chairman of the group, told leaders of the five print unions at a meeting yesterday that he wanted £2.5m savings made on the Manchester-based tabloid, though he did not specify over what time period.

It is believed that the Daily Star is heading for a loss of around £5m in the current year. Lord Matthews said the two-and-a-half hour meeting had gone very well, and that he was hopeful further talks would safeguard the Star's London operation.

He had reportedly been impressed by an offer, made

last week by engineering workers with the group to take a cut of 5 per cent in their wages as a contribution to savings.

The print union leaders made it clear that a similar offer would not be made on behalf of their members. They agreed, however, to identify areas where savings could be made.

In the course of the discussions, Lord Matthews is said to have criticised Government policies as contributing to the current recession. Both the Daily and Sunday Express strongly support the Government, though the Star has developed an editorial line more sympathetic to Labour.

The unions raised the issue of a possible merger between the Evening Standard, owned by the Express Group, and the Evening News, owned by Associated Newspapers. They were told

that the exploratory talks had been going on between the two companies for some years, but that they had not interested recently.

Lord Matthews gave a commitment that any serious plans to merge the two London evening papers would be discussed at an early stage with the unions.

No details were given of the economies which the Express Group hopes to make, though the management believes that these need not involve redundancies.

The print union leaders told Lord Matthews that the Star had not been sufficiently promoted in the south.

● Gareth Griffiths writes: The Liverpool Daily Post and Echo yesterday agreed to "full consultation" with its nine unions over a major economies programme.

## Dockers' maximum severance pay raised

By Pauline Clark, Labour Staff

THE MAXIMUM severance pay for Britain's 24,000 dockers was raised by £2,000 to £10,500 under new plans aimed at reducing surplus dock labour announced to trade union leaders yesterday.

Dockers will also be able to retire at 60, instead of 65, if they choose, with no reduction in benefit. With additional improvements in pensions, dockers with 20 years or more experience will also be able to claim a maximum £12,500 if they have voluntarily left the industry since August 1, this year.

But the continuing problems caused by surplus labour in Britain's docks, and especially in Liverpool, was stressed at a special meeting yesterday when Liverpool dock leaders told employers that they were prepared to shut the port from next week unless they received a guarantee that new jobs will be found for 53 redundant shore staff and clerical workers in the port.

The severance plans were unveiled at a meeting of the national joint council for the ports industry, only a day after dockers called off a national strike, following an employers' undertaking not to make 180 Liverpool dockers redundant from next week.

The Liverpool dockers' dispute has drawn attention to the financial plight of the port, which has about 800 dockers on its payroll for whom there is no work.

It is hoped that the new severance and early retirement concessions will help relieve Liverpool and other ports of the surplus labour problem.

Liverpool employers hope to cut the port's 180 men to 130 by employing 130 men to be made redundant by T. and J. Harrison and Bulk Cargo Handling Services next week will be offset by a greater acceptance of voluntary severance, and by early retirement.

Mr. James Fitzpatrick, chairman of the Liverpool Port Employers' Association, said last night that the dock labour pool contained about 250 dockers aged over 60. He believed the increase in severance terms under the National Dock Labour Scheme would have "a marked impact."

Dockers over 60 will be able to commute part of their entitlement into a tax-free lump sum in excess of £2,000, giving them a maximum pay-off of £12,500. Meanwhile, dockers with five years' experience will receive £3,750 in severance pay; those with ten years, £6,000; and those with 15 years, £8,250.

Liverpool dockers' leaders in the Transport and General Workers' Union and employers will resume talks in the port today to discuss the problem of the ancillary workers employed by T. and J. Harrison, who are not covered by the jobs protection agreement applying to dockers under the National Dock Labour Scheme.

## Veto on Chapple ejection from TUC committee thought unlikely

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE CHANCES were regarded as remote yesterday that the TUC general council would reverse the decision of the selection committee to remove Mr. Frank Chapple, the general secretary of the Electrical and Plumbing Trades Union from the TUC's nance and general purposes committee.

TUC leaders who support the decision rejected the view that Mr. Chapple was being ejected because of his outspoken opposition to several general council decisions. They said the issue was one of loyalty.

The major reason given for the move last week to unseat Mr. Chapple was his public opposition to the TUC's Day of Action last May. One general secretary said Mr. Chapple's

attacks were insupportable, coming as they did on top of attacks from the Government and sections of the media.

A Left-wing member of the by Mr. Terry Duffy, president general council, said the attempt of the Amalgamated Union of Engineering Workers' engineering section to "mobilise the moderates" in support of Mr. Chapple would attract no more than a handful of votes.

Mr. Tom Jackson, general secretary of the Union of Communications Workers, said he would vote against Mr. Chapple's expulsion. The TUC had to reflect the range of views in the labour movement, and could not afford to discriminate against any of them.

He said, however, that those

opposing the expulsion would be likely to be a minority. The Transport and General Workers' Municipal Workers Union, both in favour of unseating Mr. Chapple, command eight votes on the council, while AUEW has three and Mr. Chapple's own union only one.

It was also pointed out that a number of smaller unions vote with the two large unions on most issues, and would not be expected to deviate on this issue.

Mr. Chapple attended the finance and general purposes committee at the TUC yesterday. The meeting was brief, and was concerned only with allocating to the appropriate committees the decisions taken at the TUC conference earlier this month.

## Index-linked pensions defended

BY ERIC SHORT

THE TUC yesterday defended the present index-linking of public service pensions.

In evidence to the inquiry into the value of pensions, chaired by Sir Bernard Scott, the TUC said pension arrangements for workers in the public sector were not a special privilege compared with private-sector employees. Public-sector workers paid a share of additional cost themselves.

The TUC said private-sector employees should enjoy similar pension arrangements to public-sector workers. It had always held that all pensions should be

protected against inflation, whether in the national insurance scheme, in public-sector occupational schemes, or in private-sector company pension schemes.

The steps taken to maintain the value of pensions paid by company schemes was inadequate and the objective should be to raise standards in the private sector.

The evidence defended methods used by the Government Actuary in valuing the differential between public-service pensions and those paid to employees doing comparable

jobs in industry. The assumptions made by him were in line with recognised actuarial practice.

Mr. Len Murray, TUC general secretary, said much of the evidence given to the inquiry had taken the form of unjustified and inaccurate attacks on public-sector workers.

The TUC's evidence had shown that public-sector pension scheme members paid fair contributions for benefits they expected to receive. He hoped the report would make this clear and rebut comments based only on ignorance or prejudice.

## Joint campaign for unemployed

BY OUR LABOUR AND LOBBY STAFFS

THE LABOUR Party and the TUC are to campaign jointly for an emergency programme to find jobs for young people and the long-term unemployed.

At a meeting of the TUC-Labour Party Liaison Committee yesterday, Mr. Denis Healey, the Shadow Chancellor, warned that the unemployment situation was going to get very much worse.

In a statement afterwards, the committee said the true level of unemployment was already well above two million, as the official figures did not show up the number of part-timers and unregistered out of work.

The committee effectively rejected the Government's argument that workers are pricing themselves out of jobs and insisted the responsibility for unemployment lay with the Government.

The meeting was the first since last month's TUC conference when the two sides agreed to hold joint talks on the economy with the aim of reaching an understanding which would form the basis of the next Labour Government's economic strategy.

Little reference was made at yesterday's meeting to those

longer-term talks. But Mr. David Bassett, general secretary of the General and Municipal Workers Union, said the liaison committee must take political decisions on the economic consensus which could be agreed between the TUC and the Labour Party to allow the party to fight the next election on an agreed programme.

Mr. Bassett emphasised that the consensus should span the full range of economic issues, and should be one that could stand the test of the difficult conditions which could prevail once Labour returned to office.

## Labour Party reforms confuse unions

BY JOHN LLOYD, LABOUR CORRESPONDENT

UNIONS WHICH have still to elect the leader, saying that the Labour Party's NEC has not made clear its function, nor its composition. They said that on the available evidence, it appeared likely that the union would oppose the changes.

It is expected that the NEC will move that the principle of an electoral college be accepted, though there has as yet been no decision on its composition or powers.

The GMWU had previously supported an electoral college in evidence to the party's Commission of Inquiry.

Last week, the Transport and General Workers' Union, the country's largest, said it would support an electoral college which both chose the party leader and had the final say on drafting the manifesto.

The Amalgamated Union of Engineering Workers (engineering section) has mandated its delegation to oppose the three constitutional changes.

The Union of Communications Workers will take a decision on Thursday. It is likely to oppose the three changes.

## APEX puts jobless figure at 2.1m

TODAY'S unemployment figures will show there were 2.1m people without a job in September, according to a prediction made yesterday by the Association of Professional, Executive, Clerical and Computer Staff (APEX).

Mr. Roy Grantham, general secretary of the white-collar union, said yesterday the Government was losing control of the economic situation and, unless policies were changed, unemployment would gallop to 3m in under two years.

On the eve of release of the figures, APEX launched an attack on the Government's economic policies.

Meeting at the weekend, the 150,000-strong union's executive council passed a three-part resolution. It rejected "as totally unacceptable and deplorable the present level of unemployment which will be 2.1m in September and will continue to rise at a rapid rate thereafter." The executive was "deeply

concerned at the continuing recession and closures affecting manufacturing industry, particularly engineering, steel, chemicals, textiles and footwear."

Britain faced "the prospect of losing between a fifth and a quarter of all jobs in the engineering industry within two or three years and of grave reductions in other industries which will never be recovered."

It called on the Government to act "to reduce substantially interest rates, bring the level of the pound down to a competitive level, assist industry by reducing employment surcharges on national insurance contributions, and cut taxes on oils used in industry."

Commenting yesterday on unemployment Mr. Grantham said: "We anticipate that tomorrow's unemployment figures will be 2.1m and that, apart from school-leavers, the rate of unemployment is increasing rapidly."

## Cleaner alleges fraud on Defence Ministry contract

BY OUR LABOUR STAFF

THE DEPARTMENT of Health and Social Security is investigating an alleged fraud by a contract cleaning company working for the Ministry of Defence.

The allegation was made by a woman cleaner working at a naval establishment. The woman, who worked for the company for three years, said she was paid weekly with two cheques, one made out to a false name.

The purpose was to allow the company to avoid national insurance contributions by appearing to make payments below the minimum at which employers' national insurance

becomes payable, the Civil Service Union said yesterday.

The allegation was raised in the House of Commons by Mr. Chris Patton, Tory MP for Bath. Mr. Keith Speed, the Navy Minister, referred it to the DESS which investigates alleged national insurance frauds.

The union which says it has detailed information about the case, including giro cheque photocopies, yesterday accused the Ministry of Defence of failing to act convincingly.

At a meeting last week, the union told the Ministry it should sack the contractor.

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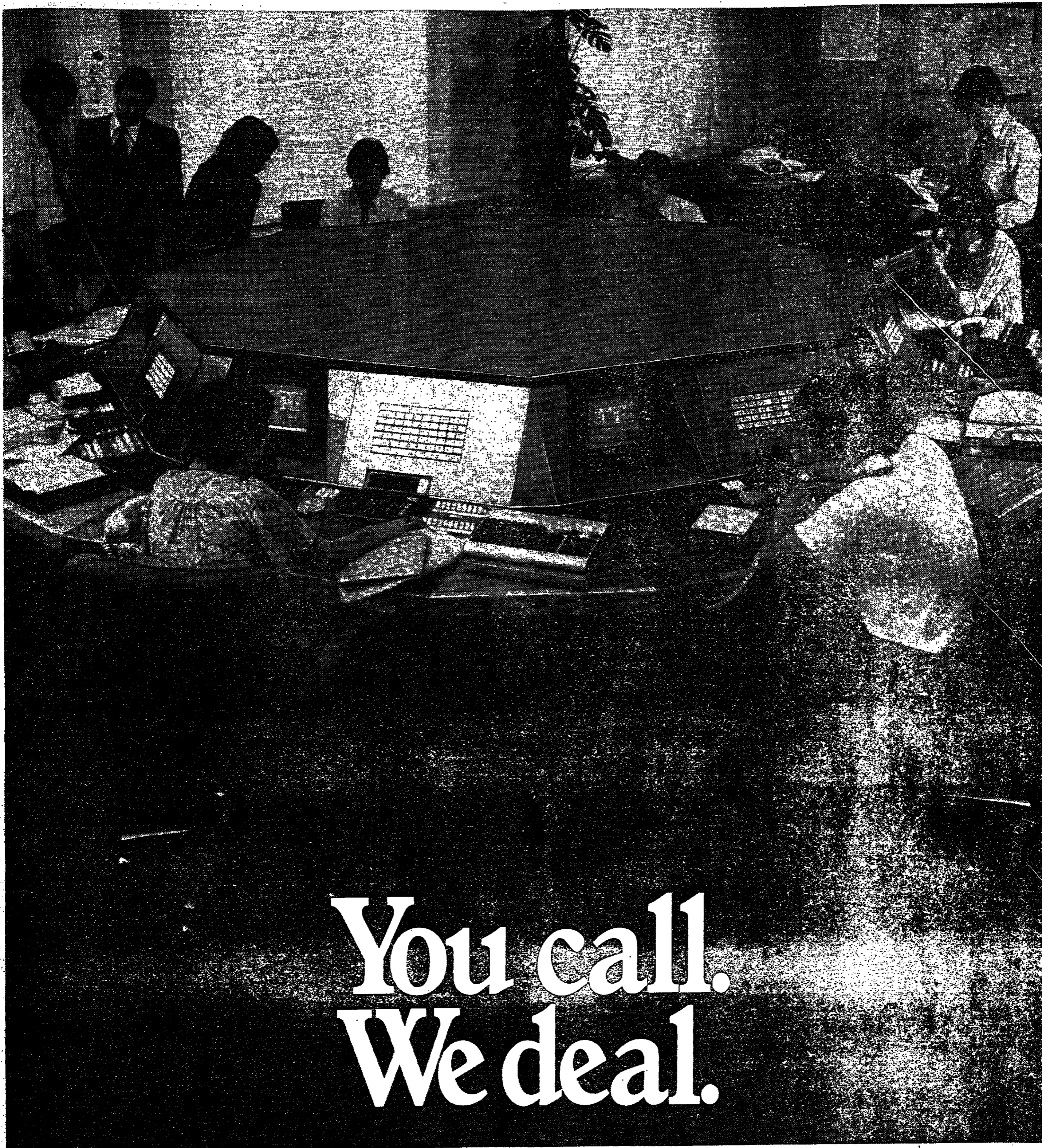
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# Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

## COMMUNICATIONS

### Plessey moves data faster

PLESSEY HAS taken a short lead in the race to provide the fastest equipment to transmit voice and data over telephone lines.

It announced last week a device enabling the digital transmission of voice and data over telephone lines at rates of up to 18,000 binary digits (bits) a second, some 86 per cent faster than equipment now available.

Now the company is establishing a network of distributors world-wide to market the new product. It is talking chiefly to established suppliers of data communications equipment.

The device is a modulator-demodulator (modem), the 16002, which converts digital signals generated by, say, a computer or digital telephone exchange, into a form in which they can be transmitted in analogue fashion along ordinary telephone lines.

Fastest commercially available modems handling both voice and data work at rates up to 9,600 bits a second.

The new Plessey modem will find applications in large

hierarchical communications networks, where designers are already finding themselves limited by the speed of the 9,600 bits per second modems.

There are faster modems in existence, for example, the IAL LDM which runs at 18,200 bits per second over short distances, or the Racal-Milgo 56K which runs at 56,000 bits per second over group band lines.

The Plessey modem, however, runs in the three kilohertz band width afforded by Post Office lines.

It uses a modulation technique called Quadrature Amplitude Modulation which involves two 1,700 hertz carrier frequencies 90 degrees out of phase. This technique is particularly immune to noise on the line.

The modem is in any case fitted with a microprocessor based forward error correction module which can reduce errors from noise on the line by a factor of up to 10,000 to one, for a speed reduction of only one sixth.

Plessey expects Post Office type approval for the modem in mid-October. Deliveries will begin in January, 1981.

## ELECTRONICS

### Simpler wiring technique

A SYSTEM for wiring electronic circuit boards claimed to offer positive advantages over wire wrap methods in prototype applications has been introduced to the UK market by Astralux Dynamics, Brightingsea, Essex (0206 30 2571).

The system, named Quick Connect, was developed by Bell Laboratories in the U.S. and applied commercially by Robinson Nugent, New Albany, Indiana. It provides conventional sockets or terminals which are compatible with standard prototype circuit board holes. Each socket or terminal has a gold-plated beryllium-copper lamina displacement connection time on the reverse side of the board.

Solid wire of 30 gauge is pushed in to the time with a simple hard plastic wiring style. The insulation covering the wire is pierced by the time, making a tight electrical connection which is claimed to be safe in gas-laden atmospheres. Each time can take two wires, making it the equivalent of two

wraps. As a result, it is claimed, Quick Connect can reduce the wiring time for prototype boards by up to 50 per cent compared with wire wrap methods.

A further advantage claimed is that wire stripping is not necessary. A useful practical feature is the slimmer board profile provided by the Quick Connect system. The standard board has a total thickness of 0.25 inch compared with 0.855 inch for the thinnest three-level wire-wrapped board. The density of a Quick Connect board therefore approaches that of a standard prototype circuit board and the boards can be used in production racks.

Quick Connect is available in three forms. Contacts and terminals can be supplied in bandolier strips for mass installation by the customer using simple semi-automatic tools supplied by Astralux. The company will also install Quick Connect sockets and terminals in prototype circuit boards supplied by the customer.

## IN THE OFFICE

### Electronic typewriters

THE SWISS company Hermes Precisa International is introducing through its U.K. subsidiary in Colchester a range of three electronic typewriters and a word processor that cover a wide spectrum of office typing needs.

Top-tronic 20 for example will introduce the typist quickly and easily to this kind of work. It has no text storage but a full range of page setting functions will save the user time and effort.

Models 40 and 41 on the other hand allow repetitive sentences, dates, greeting formats and some standard text to be called from a memory. In addition, the presentation functions include: centring, underlining, bold typeface, paper insertion, tabulation, and justification. There is a choice of five type pitches: 10, 12, 15 plus mini or full proportional spacing.

Model 40 has a 1,000 character memory in ten blocks while the 41 can keep 4,000 characters and has visual display of 20 of them to allow correction of what is keyed before it is printed.

Both of these machines have a correction memory capacity of 222 characters and a buffer that allows automatic correction on the current or previous lines. Memory is protected for 72 hours after the machine has been switched off.

At the top of the range is the Hermes WP 3200, a word processor proper with a single element printer. In addition to all the facilities of the model 41, the machine also provides operating "help" messages in the display panel to assist the user. The memory capacity in this case is 7,000 characters and there is a short text memory of 2,000 characters for immediate access to frequently used material. With the addition of mini-disks each holding 70,000 characters the total storage of text can be considerable.

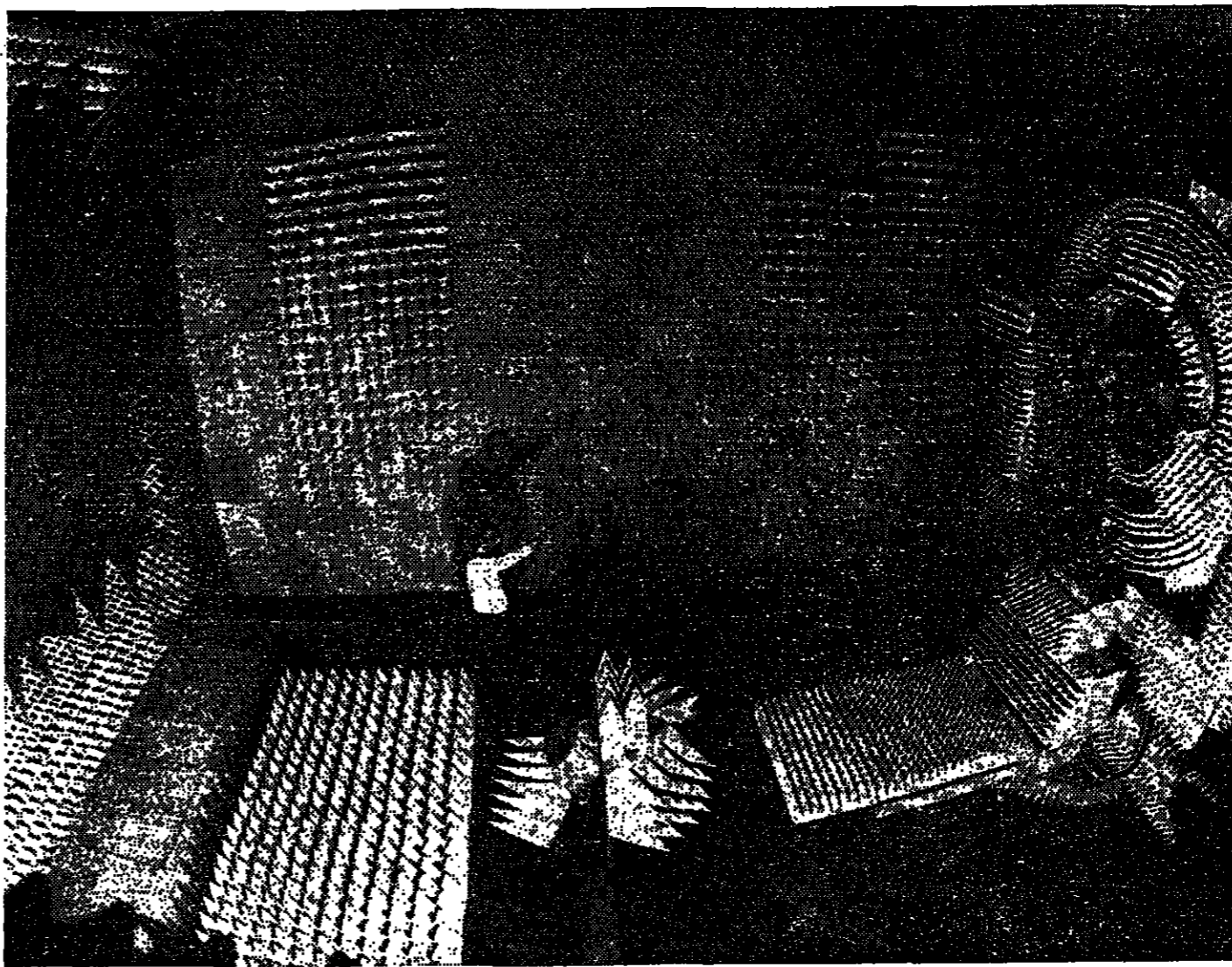
Hermes Precisa (UK) is at Centurion House, St. John Street, Colchester, Essex (0206 65115).

## MATERIALS

### Barrier to noise

HELPING TO overcome the exhausting effects of protracted high frequency noise (which industry now recognises as a major health hazard) is a new sound deadening material from Visurgis (Great Britain), Towerfield Close, Shoeburyness, Essex (037 08 5955).

A rubber compound, unaffected by humidity and the effects of ozone ageing, the material is called Optumit and can be faced both sides with fabric in different colours where visual, as well as noise control, aspects are important.



This indoor microwave test range has been commissioned at Stevenage, Herts, by the Reinforced and Microwave Plastics Group of British Aerospace Dynamics. It was built specifically for use in advanced military aircraft radome tests which can be performed at frequencies from 2 GHz to 40 GHz. The range incorporates a precision positioning mechanism on which the item under test is mounted and presented to

the incident microwave energy. The positioner can be controlled either manually or automatically. The Group which has built indoor compact microwave test ranges for British Aerospace's own use is now offering a service to industry covering specification, design, manufacture, and commissioning of such ranges.

## How to have your fiche and change it

BRIEFLY mentioned on this page in February, the Bell and Howell document recording system using a dry, silverless light-sensitive film called Microx has now been formally launched by the company and a description of the technique released.

The development is important in a number of ways. Not only does it do away with increasingly expensive silver halides but, of more significance, it allows the erasure and replacement of selected areas of image so that, on a microfiche for example, an out-of-date frame can be taken out and replaced by another. By the same token, further images can be added into the previously empty locations on a fiche. Or the whole fiche can be wiped out and re-recorded.

Images are formed (or re-formed) by a combination of electrostatics and plastic deformation. The Microx master film is completely insensitive to normal room light levels. It consists of an upper layer of deformable plastic which is also photo-conductive; under this is a conductive layer, polyester base, and scratch resistant coating.

In darkness a high resistance path is present between the plastic layer and the conductive underlying layer so that, if the

upper layer is electrostatically charged, it will retain that charge. If now an image is projected on to the upper surface the clear portions will give rise to low resistance paths to the conductive layer, so dissipating that charge in that area. The dark areas on the other hand retain the charge.

To make the image visible the film is heated to about 100 deg C causing the upper plastic layer to soften; because an electrostatic force of attraction now exists between the surface and the conductive layer, the plastic is pulled down towards the conductive layer where alpha-numeric characters exist. The image is then made permanent on cooling.

At a slightly higher temperature (140 deg C) these "embossed" images can be made to flow again; selective heating of the fiche can remove specific frames, which can then be

exposed again.

The embossing effect is used to make prints from the master by a kind of contact printing process; the formed characters in the plastic in fact are rounded "troughs" producing a lens effect. For printing, vesicular (heat developed) film is placed at a small but accurate distance from the master and the characters are in effect focused on the duplicate film to give a good image.

The complete Microx recording system offered by Bell and Howell fits easily on an office desk and measures only 680 x 680 x 1220 mm; it is used in conjunction with separate printer and processor for duplicate fiche.

Master-film loading is simple using location pins and depression of a pair of buttons positions the master exactly at the image position required. Two lenses (26x and 32x) are available to deal with most document sizes and book filming is catered for.

Each document filmed is displayed on a built-in monitor screen within seconds for instant verification of what has been recorded.

More from the Business Equipment Division, 33 Woodthorpe Road, Ashford, Middlesex (Ashford 51234).

GEOFFREY CHARLISH

## DATA PROCESSING

### More new machines

AS FORESHADOWED on this page in mid-August, General Automation has now formally announced "The Boss," models 1, 2 and 3, which are respectively a micro, mini and a larger scale minicomputer aimed at a wide spectrum of commercial applications.

Design and manufacture is taking place in the UK to the extent of about 80 per cent added value, although the processor boards are being made by the U.S. parent.

The U.K. company expects to sell about 200 machines in the first year into both OEM and end user markets and some of

them will be sold into the U.S. The new computers will supersede GA's Mini-Tom range of minis.

Boss 1 is a single screen floppy disc based micro with 128 kilobytes of memory and inexpensive low speed printer. Intended for the small business first-time user at a price of £6,000.

From this, users can progress to a 32 screen configuration with 2 x 600 line/min printers and 8 x 300 megabyte disc drives, using the same software. More from the company at 43, Windsor Road, Slough, Berks. (Slough 72331).

### Investment accounting

AN INVESTMENT accounting service has been launched by dataStream, the time-sharing computer bureau for the financial securities industry.

It is described as a full security accounting package for institutional fund managers, and it has been designed by dataStream with the collaboration of three of its clients, a unit trust, a pension fund and an insurance company.

The package comprises three parts, dataStream said this

week, investment ledger, income systems and broker settlements. The package links in with the existing dataStream on-line service — updating and accounting are accomplished using a video display terminal in the client's office.

The cost depends on the facilities included but a typical customer might spend £10,000 to £15,000 a year on the service. It is now undergoing user trials at a number of sites. dataStream is on 01-600 6411.

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## COMPRESSORS

### Sullair in UK market drive

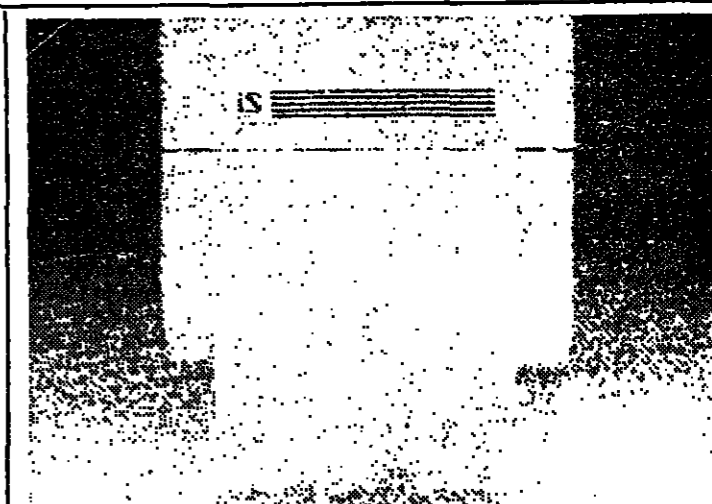
BOTH mobile and stationary types of air compressor are to be marketed in the UK by Sullair. They are to be sold and serviced through a distributor network being set up by the company at 274, High Street, Uxbridge, Middlesex UB8 1LQ.

Initially, four machines in the portable range are being launched. These will have outputs of 99, 140, 177, 247 cu ft per minute respectively at a delivery pressure of 7.5 bar. Each is of the twin screw, single stage type, direct driven from a Deutz air-cooled diesel engine.

For special applications, such as shot blasting, an integral air cooled after cooler can be fitted to produce a lower discharge temperature, while an optional lubrication system can be fitted to prevent frost damage to tools during winter working.

The machines are housed within acoustically engineered canopies which, it is claimed, reduce noise output to about 70dB (A) at 7 metres. Each is equipped with two-wheel road running gear.

The stationary compressors available are in 20 sizes from 69 to 3,531 cubic feet per minute. Most are available with a choice of pressures of 7.5, 10 and 13 bar. All are supplied as package units, ready for installation.



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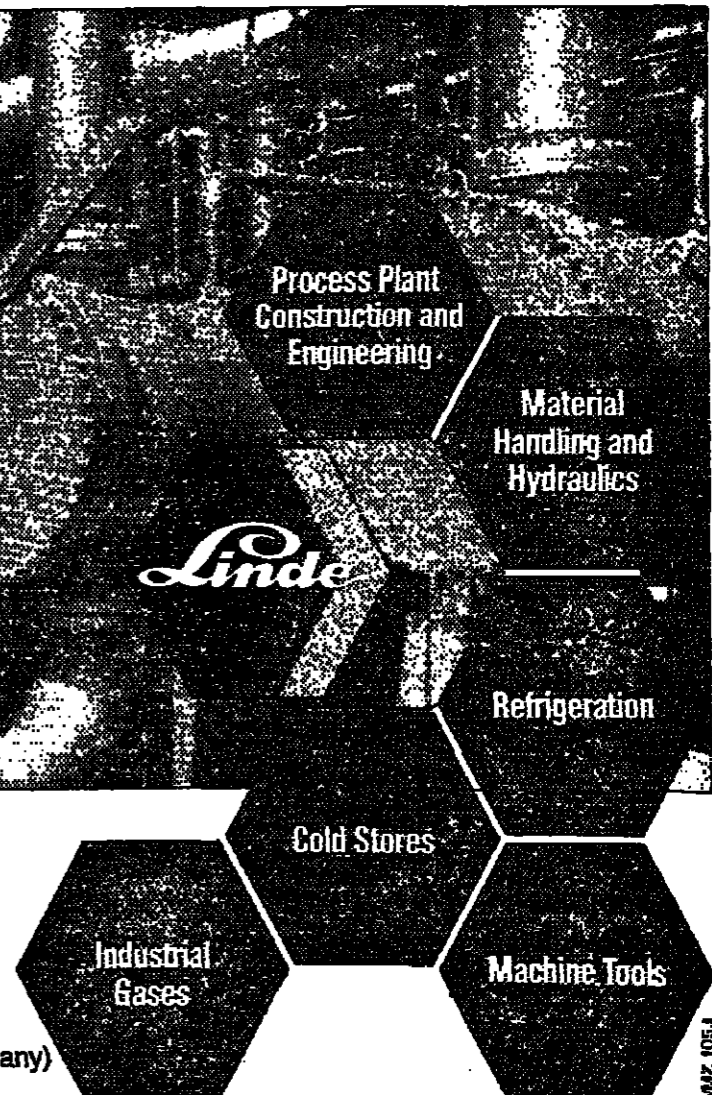
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Tuesday, September 23 1980

# Australia

Australia in the 'eighties could become the El Dorado of the Southern Pacific. But the successful harnessing of mineral wealth to abundant energy poses problems of institutional change and a challenge to the country's political will. Key decisions await the outcome of elections next month.

## Difficult decisions must be made

By Anthony Robinson

"AUSTRALIA, were it bold and determined enough, could face a brilliant future. But it is more likely to be satisfied with mediocrity than aspire to excellence. Even so, it will still remain a marvellous place to live for most Australians—and the envy of many people elsewhere."

This somewhat cynical assessment, by a Sydney investment adviser with access to the ear of politicians, as well as the financial community, sums up much of the perplexity with which many thinking Australians are facing a decade which promises great prosperity, but also many complex problems of adjustment.

It also reflects the scepticism born of the rather depressing experience of the past five years during which the standard of living of most Australians has stagnated. This is the time it took to eliminate the wage/productivity overhang bequeathed

by the Labor Governments of the early 1970s which, for all their exhilarating slaughter of sacred cows and social experimentation, managed the economy very badly indeed. These have been rather frustrating years of marking time. If this was the end result of the much-heralded minerals boom of the 1960s, many Australians are asking themselves, why get excited about the much-heralded 1980s boom? It too could end with a whimper.

The fact is, however, that a minerals/energy boom, spearheaded by coal, uranium and aluminium, is now clearly getting under way. The size of the boom—and its eventual benefits to the rest of the economy—will depend on decisions which still have to be taken.

Other countries also have rich mineral deposits to be exploited. Construction costs in the Australian outback at Australian wage levels are very high. So are the risks of disruption through industrial disputes. These are among the limiting factors. That said, however, Australia also has some undoubted and substantial advantages. These include the sheer size and richness of its mineral and energy wealth, its proximity to the fast growing Asian market and the country's basic political stability and developed society.

It is also, in many ways, an extraordinarily pleasant country in which to live and operate. Life for the average Australian can be very comfortable. It is even better for the affluent

middle class, with their yachts, harbour view houses and barbeque parties on warm nights. The country itself is vast, with a haunting beauty, all its own. The beaches are legendary, the wine is cheap and excellent, the food likewise.

### Old myth

What is more, if ever the myth about Australia being "a cultural desert" were true, it is arguably not the case any more. Australian films, paintings and literature reach out increasingly beyond Australia to international recognition. Much modern architecture is bold in conception and well executed—the Sydney Opera House is but one example.

Furthermore, greater sensitivity to the often tragic consequences of Aboriginal man's contact with white Anglo-Saxon colonialism and 20th century technology has also developed, in some sectors of the community at least.

Increasingly, Australia has become a multi-ethnic society and the virtues of the former white Anglo-Saxon dominated Australia of the past have been subtly changed by the influx of other European and increasingly Asian immigrants. More than 70,000 refugees from Vietnam were accepted into Australia last year alone.

At the same time, however, life has been increasingly difficult for a growing sector of Australian society during the past five years. The hardest hit have been the weakest elements in society. Unemployment stands

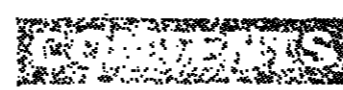
at just under 6 per cent of the labour force—and many thousands more have simply dropped out of the market—and the official statistics.

Unemployment has hit hardest at the young, women, immigrants and the unskilled. It has been exacerbated by continuing inflation and technological change which threatens to run even faster in the decade ahead.

Social attitudes to unemployment have also changed with the Government encouraging the idea that many of the unemployed are simply "dole bludgers." Crime, alcoholism, drug addiction and violence have been rising. Organised crime has infiltrated local politics and even part of the banking system.

Australian society has become more complex, less egalitarian and, in some ways, less sure of itself. Even for those, the great majority, who enjoy full employment average real incomes are only starting to rise appreciably now after five years stagnation. There is little doubt that Australia, given its resources and potential could and should have done much better.

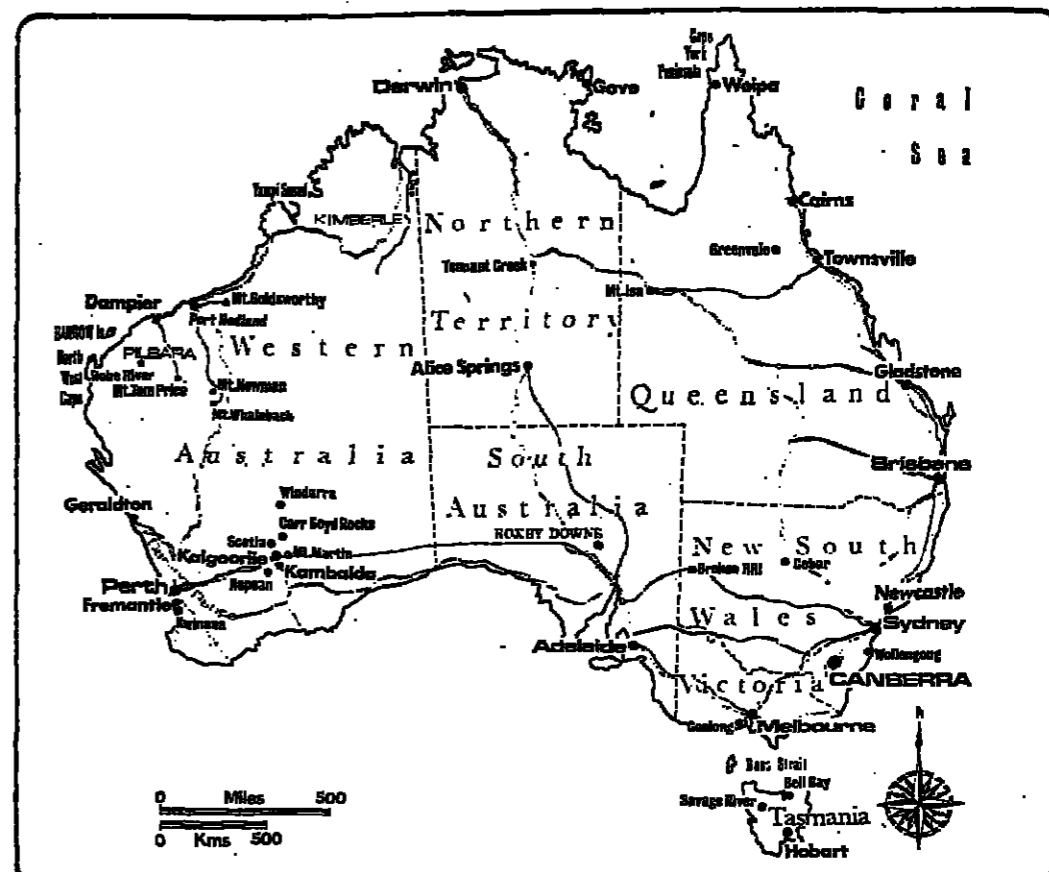
The die has not yet been cast over the course of the 1980s. A general election in the house of representatives and elections for renewal of half the Senate take place this autumn. The Liberal/Country Party coalition headed by the Prime Minister, Mr. Malcolm Fraser is expected to campaign as the party of economic responsibility at home and security abroad.



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Labor stands as the party of compassion and fair dinkum. Attempts will undoubtedly be made to portray Labor as the party which bungled the last boom and is not to be trusted with the next. The coalition on the other hand will claim to possess the confidence of investors overseas and business and farmers at home, to be the party of lower taxes, balanced budgets and smaller government.

Separating myth from reality is always difficult and especially so at election time. But there



is considerable evidence to show that it was the Liberal/Country Coalition, racked by internal feuding, which presided over the last bust-boom. Labor's mistake was not to recognise the good times were over until it was too late. One man who did recognise it was Mr. Bill Hayden, who brought down the last Labor budget in 1975. He is now leader of the Opposition, flanked by two of Australia's most respected political figures—former union leader, Mr. Bob Hawke, and the New South Wales Premier, Mr. Neville Wran.

Labor learnt a lot in the traumatic last few months of the Whitlam Government and during five years of opposition. Its election promises this year are modest—an extra A\$500m for poorer families, for example, and some of its more controversial programmes—such as the institution of a resource rent tax—appear to be largely a variant of the Government's own coal and oil levy policy.

If anything, Labor appears to be bending over backwards to appear reasonable and modest in its proposals so as to distance itself as far as possible from comparisons with the "all-singing, all-dancing" image

which swept the Whitlam Government to power on a wave of popular enthusiasm in 1972.

### People's choice

The risk here, of course, is that faced with a choice between Tweedle-dum and Tweedle-dee, the electorate will stick with the present Government which, in spite of all the rhetoric about small Government and so on, has kept Government spending at a high level and is committed to heavier spending on defence, health and social welfare.

What is highly questionable, however, is whether the ensuing election campaign will address itself to the real choices facing Australia during the next decade, and the difficult choices which will have to be made if the huge potential opportunities of this decade are to be fully grasped.

The hardest choice of all perhaps concerns the future of Australia's protectionist policy, under which much of Australian industry was developed to serve a fragmented market of only 14m people. Tariffs have been steadily reduced in recent

years and thousands of jobs have been lost in areas such as textiles, shoes, electrical and other consumer goods.

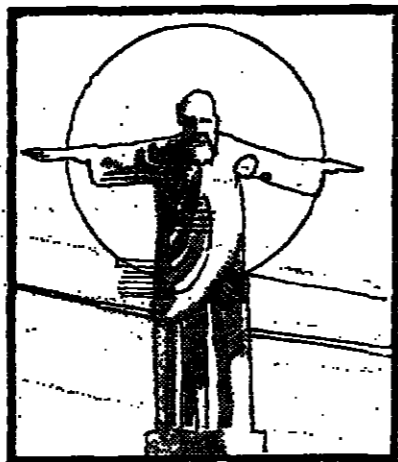
But much greater boldness will be required on the tariff front in future because, in the words of the Treasury, Australia's future success depends as much on its success in importing as success in exporting. Without liberalised imports, Australia faces the problems of rising inflation and an appreciating currency in the years ahead, as capital flows in to finance mineral and energy development projects, which in turn will generate a substantial increase in export revenue.

Reduced tariffs, so this argument goes, will reduce inflationary pressures and lower input costs to the most efficient areas of the economy which will then be able to expand.

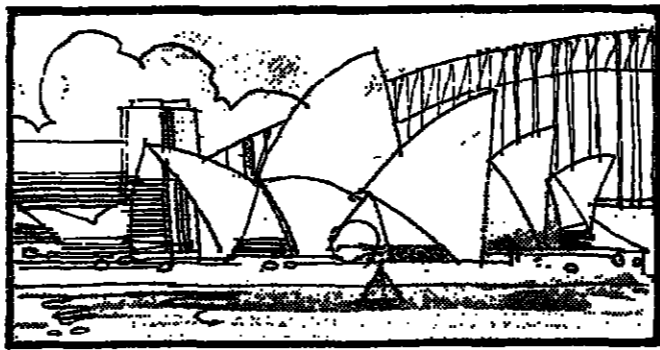
The mineral/energy boom itself will provide several thousand new jobs directly and many more through the multiplier effect. A recent survey in West Australia for example showed that 90 per cent of equipment used in the mining industry there was locally produced.

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## AUSTRALIA II

## ECONOMY (I): THE OVERVIEW

## Minerals and energy point way to a decade of growth

AFTER FIVE painful and frustrating years of low economic growth and struggle against inflation, Australia is now gearing up for what could be a decade or more of mineral/energy development-led growth. But the Government's relative failure to match its rhetoric with decisive action in the field of lower Government spending and structural change means that some bold and controversial decisions will be required after the elections if the full potential is to be realised.

The most difficult decisions are pending in the field of tariffs and quotas. These will have to be substantially cut over a relatively short period according to a confidential report prepared by the Treasury, the Reserve Bank and Industry which was leaked to the Labor party and subsequently tabled in Parliament by the Treasurer, Mr. John Howard, last month.

Significant reforms in Australia's hidebound financial institutions will also be required in order to encourage higher Australian investment in its own mineral/energy development, according to the interim report of the Campbell Committee set up to investigate the working of the financial system.

Further changes will also be required in the highly charged area of labour relations and incomes policy if growing inflationary pressures and looming skilled worker bottlenecks are to be avoided.

With unemployment still around 6 per cent, despite the creation of some 220,000 new jobs last year, plans are now afoot to step up the immigration of skilled tradesmen. But these will face union resistance unless greater effort is made to step up the number of domestic apprenticeships and worker training programmes.

One of the fears most commonly expressed by industrialists and Government economists alike is that the increased demand for skilled construction and metal workers in mining and infrastructure projects will lead to rapid increases in their wage rates. This will then be transmitted throughout the system, leading to a marked flattening of wage

differentials which has had a disincentive effect on skilled workers.

The likelihood of skilled labour bottlenecks was singled out in the latest OECD report on Australia as one of the most likely constraints. A recent report by the Australian Industries Development Association also warned against the facile assumption that Australia would be able to cope easily with development on the scale now being talked about.

## Airy talk

Some semi-official estimates of the scale of the investment boom ahead talk airily in terms of \$800bn over the decade. The latest official estimates put out by the Department of Industry and Commerce in June put the total of projects under way or at an advanced stage of planning at \$229bn.

Even this latter figure, however, is considered totally unrealistic by mining industry economists in particular. They point to the 10 years needed to get the present coal mines into full operation and believe that considerable discipline and selection of projects will be

required if excessive bunching of projects is to be avoided.

The pre-conditions for a resumption of minerals and energy led growth exist primarily in the vast and cheap coal resources of Queensland, New South Wales and to a lesser extent South Australia, plus gas off the North West shelf, domestic oil and uranium.

Higher world energy prices, coupled with Australia's abundant energy and bauxite supplies, have ensured that the heart of the 1980's resources boom will be the rapid expansion of aluminium smelting and the further processing and refining of Australia's other mineral resources.

Some 18 large coal-fired electricity power stations and five aluminium smelters and associated infrastructure are already either under construction or at an advanced stage of planning. Elsewhere, massive investment is earmarked for development of the Rundle oil shale deposits in Queensland and the rich multi-ore body discovered at Roxby Downs and Olympic Dam in South Australia.

Heavy exploration investment by Australian and multinational mining companies con-

tinues to discover new and potentially commercial mineral deposits. These serve to underline the vast potential for future development way into the 21st century.

As if that were not enough, high world prices for Australia's principal agricultural exports—wool, grain, sugar and beef—seem set to ensure another good year for what is still Australia's major export sector.

This is the overall, broad-brush picture of Australia which has sent stockbrokers around the world reaching for their superlatives and persuaded investment fund managers to re-adjust their portfolios to include a rising proportion of Australian resource and energy based stocks.

Their confidence reflects the OECD's own favourable long-term assessment of Australia's future position as one of the world's major net energy exporters.

But the pace of development and, above all, the degree of benefit to the economy as a whole, will depend on the outcome of choices and decisions which have yet to be squarely faced. One of the clearest analyses of the policy dilemmas posed by the forthcoming boom was made last year by the Treasury Secretary, Mr. John Stone.

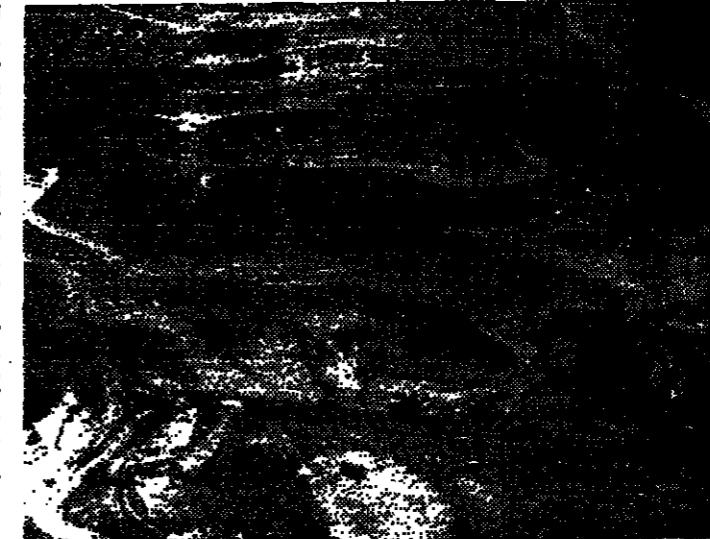
He started from the assumption that Australia would require substantial foreign capital inflows to assist in development which in turn implied a matching current account deficit.

In physical terms, this means that Australia will be obliged to import more as its exports of minerals rise. The challenge facing Australia according to the Stone analysis is to ensure that Australia becomes as successful in importing as it is destined to become in exporting.

On this view, the best way of maximising the benefit from Australia's situation would be selectively to reduce protection on the least competitive Australian industries. These happen to be the politically sensitive, labour-intensive textile, shoe, automobile and other consumer industries.

Lower protection would raise unemployment in the short term. It would also lead to cheaper imports and reduce the input costs of the more efficient farming and industrial sectors.

In this way, new jobs would be created and new opportunities for growth opened up for



Open-pit iron ore mining

the most efficient areas of the Australian economy.

Failing this, Australia would find itself faced with both an appreciating exchange rate—which would reduce the competitiveness of all Australian producers indiscriminately and an increase in the domestic money supply. This would reduce competitiveness through a rise in domestic inflation. These forces would have the same long term effect of giving Australia a current account deficit corresponding to its net capital inflow—but at a much lower level of overall economic activity, investment and prosperity—and higher inflation.

On this analysis, a combination of large capital inflows from abroad coupled with imports of skilled labour, in the context of a selective, but substantial dismantling of tariff and quota protection is the correct formula for ensuring: (a) the quickest and most efficient development of the new mining and energy resources and infrastructure; (b) greater efficiency in the economy as a whole; and (c) the highest real increase in employment and living standards in the long run through cheaper imports and higher productivity.

The other vital ingredient in the policy mix advocated by the Treasury is lower Government spending from which would flow lower taxes, higher consumer efficiency into the system and encourage investment, in equities and other instruments directly related to resource and productive investment.

BASIC STATISTICS	
Area	7,825,000 sq. km.
Population	14.42m
GDP A\$103,150m (US\$126,900m)	
Per capita A\$7,500 (US\$9,340)	
Trade (1979)	
Imports	US\$16,387m
Exports	US\$16,704m
Imports from UK	2839.5m
Exports to UK	5174.2m
Currency	A\$2.0425=£1 sterling

Policies aimed in this direction would also increase the supply of domestic capital, which if it could be directed into investment in Australia's own mineral/resource development would reduce the need for foreign investment and also the political paranoia about presumed exploitation by the multinationals.

## Mortgage funds

Mr. Stone himself is sceptical about the scope for higher Australian investment—but the question of how to increase Australian participation in its own development was addressed by the Campbell Committee. Its final conclusions will not be ready until next year. But it is already clear that it is likely to suggest changes in the present system which ensures that the vast bulk of Australian private investment is channelled into house and land purchase and consumer durables. This is due to privileged access to long-term, cheap mortgage funds and non-bank finance houses.

The interim report makes quite clear that less Government regulation and interference, greater competition, in part through the entry of foreign banks, and more reliance on market mechanisms will be needed to inject greater efficiency into the system and encourage investment, in equities and other instruments directly related to resource and productive investment.

Meanwhile, back in the real world of three-year parliaments, militant trade unions, lobby groups and competition for funds and investment projects between the states, the hard choices expected of the Fraser Government have not materialised. The oil levy and petroleum taxes have helped revenues aided by the fiscal drag which has allowed inflation to push taxpayers into high tax brackets despite early promises to fully index tax rates.

Promised cuts in Government expenditure and taxes have not been made. Spending on social welfare, health and education still accounts for a similar proportion as that under the Whitlam Labor Government. The full Public Sector Borrowing Requirement further down the road is being boosted by heavy investment by the States in infrastructure development.

Inflation has moved back to 10 per cent from 8 per cent in 1979 and is expected to rise further as higher investment works its way through into a stronger demand for labour and pressure on other resources.

The downturn in the international economy is also expected to have a dampening effect on overseas demand. At the moment, there is still the feeling that a boom is around the corner. But the hard decisions which will determine Australia's economic performance in the 1980s still have to be made.

Anthony Robinson

## Difficult decisions

CONTINUED FROM PREVIOUS PAGE

duced. Many thousands will be employed in the vast infrastructure development programmes to build new ports, railways, power stations, mines and coal loaders.

Already, skilled labour shortages are developing and improved labour re-training and apprenticeship schemes will be required to ease the transfer of labour from former protected areas to the new growth areas of the economy.

Given Australia's resources and potential, the country could and should be a full employment economy with high real incomes, growth and domestic capital formation. Soundly-based economic expansion during the next decade could revolutionise both Australia's own economic situation, together with its standing in Asia and the world. But there is little sign that the present political leaders, of either party, are really capable of inspiring Australia to greater things.

This is partly a reflection of the fact that there is no real consensus within this vast country as to what Australia should really try to be. Australia has been described as a series of Pacific islands—the five main coastal cities where 80 per cent of Australians live—surrounded by an ocean of land. Partly because of this "tyranny of distance" and small population the various States are powerful in their own right and attract strong local loyalties.

This sometimes makes it difficult to think in terms of overall national objectives. Labour unions are fragmented and organised along mainly British craft union lines. Parliamentary terms are only three years, and this, too, makes it hard for politicians to raise their sights beyond the next election.

Australia's financial institutions are also largely inappropriate to the capital requirements of a capital-hungry

minerals and resource sector. Most Australians view the stock market as they view the national lottery—but with less respect.

But perhaps the real difficulty facing Australia is the very human reluctance to take difficult decisions unless there are very clear and pressing reasons to do so. Even if Australia muddled along without tackling some of the institutional and political problems outlined above, it could still survive through the next decade, while enjoying a good living "off the back of a sheep and the coal truck."

## Partners

In so doing, however, it would inevitably fall further behind its trading and defence partners in Asia and elsewhere.

Compared with the rate of economic, technological and political change elsewhere in the Pacific region over the last decade Australia has stood

relatively still behind its tariff barriers and natural wealth. Low economic growth and a strike record which has damaged the country's reputation as a reliable supplier have compounded the problem.

Over the next decade, Australia faces opportunities of which most other countries, with fewer natural advantages and more people to share them, can only dream. If Australia grasps these opportunities fully it could increase its own wealth, while at the same time contributing greatly to the general prosperity of the whole Pacific region and its general standing in the world.

If not, it risks becoming "irrelevant" to its Asean partners—as Singapore's Prime Minister, Mr. Lee Kuan Yew angrily told Mr. Fraser after this month's Commonwealth regional conference—and the object of increasing pressures from its other trading partners, too.

# CSR—a significant part of Australia's mining industry.



Underground at CSR's Buchanan Lemington Colliery in the Hunter Valley N.S.W.

CSR Limited began in sugar in 1855 and has become one of Australia's large diversified and growing companies with large interests in the mining and export of Australia's energy and mineral resources.

## Coal:

CSR mines coal and has large reserves through its subsidiaries of Thiess Holdings Ltd, Buchanan Borehole Collieries Pty Ltd, AAR Ltd and Western Collieries Ltd. CSR manages coal stockpiling and shiploading facilities in Newcastle, New South Wales, through Port Waratah Coal Services Ltd. Expansion of CSR's coal mines in Queensland, New South Wales and Western Australia are planned.

## Oil, gas and contract drilling:

AAR produces oil in Indonesia, natural gas in Queensland, and through subsidiaries operates the Roma-Brisbane gas pipeline and carries out contract drilling activities in Australia and the Philippines.

## Iron ore:

CSR through its subsidiary, Pilbara Iron Ltd, has a 30% interest in the Mt Newman iron ore venture in Western Australia which comprises an open pit mine at Mt Whaleback, a railroad from the mine to Port Hedland and crushing, screening, stockpiling and shiploading facilities at Port Hedland.

## Bauxite and alumina:

Gove Alumina Ltd (51% CSR) participates in the Gove bauxite-alumina project in the Northern Territory.

## Copper:

CSR mines copper at Mt Gunson in South Australia.

## Tin:

CSR has a 50% interest in Kajuara Mining Corporation Pty Ltd which owns 75% of P T Koba Tin, an Indonesian corporation operating alluvial tin mines on Bangka Island, Indonesia.

## Exploration:

CSR is actively engaged in exploration for coal, uranium and oil, natural gas, oil shale, molybdenum, and a wide range of other minerals.

## Development:

A significant strength for CSR as it enters the 1980s is the number of resource projects available for development. Some are close to investment decision and others will have longer lead times.

Development of Hail Creek coking coal in the Bowen Basin is a top priority. Plans are for the first shipment in 1984.

The Yarrabee semi-anthracite deposit will be developed later this year.

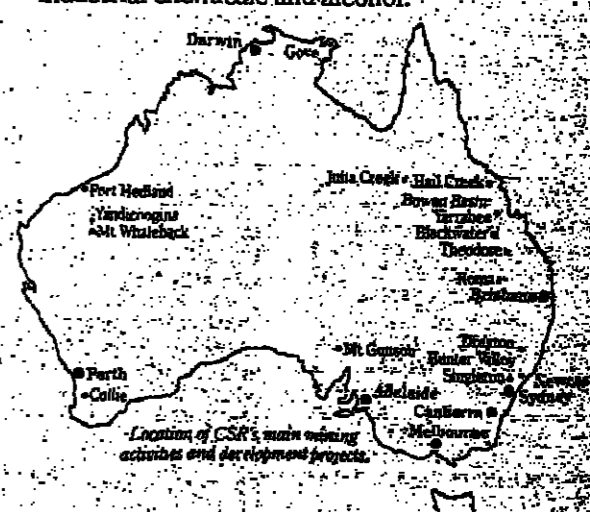
Construction of the Drayton steaming coal project in New South Wales is expected to commence later this year. Deliveries are scheduled to begin in 1982.

CSR has an iron ore deposit, large by world standards, at Yandicobanna near the Mt Whaleback mine. The deposit is uniform and has a very low overburden ratio. Much effort is being put into the development of this major resource.

CSR has a large oil shale deposit at Julia Creek in Queensland. The deposit could become a major source of crude oil and refined products for Australia.

CSR has an effective 17.5% interest in a proposed aluminium smelter to be built in the Hunter Valley. Gove Alumina will supply 35% of the smelter's alumina needs and will be entitled to, and will market, 35% of aluminium metal produced.

CSR's other activities include the milling, refining and marketing of sugar, cattle and sheep; building materials; construction; industrial chemicals and alcohol.



**CSR**

CSR Limited, 1 O'Connell Street, Sydney, Australia.

# General election next month

AUSTRALIA is heading for a general election on October 18 without much apparent enthusiasm for either of the two major political parties which, in turn, are offering little to inspire the country.

The Liberal-National Country Party coalition, headed by the Prime Minister, Mr. Malcolm Fraser, is claiming credit for having gradually weaned the country back to economic solvency.

Backed up by warnings from the OECD, and other august bodies, that a repeat performance of the 1974 wage-price explosion would undo all the sacrifices of the last five years, the Government is portraying itself as the champion of financial stringency and low inflation at home and a vigilant guard against Communist expansionism abroad.

The conventional wisdom in the Canberra political hothouse, big-city board-rooms and even trade union headquarters, is that the odds still favour the return of another Liberal-National Country Party coalition government for the next three years, albeit with a reduced majority and, possibly, with a hostile or deadlocked Senate.

Half the Senate seats, coming up for re-election this time and any swing to Labor, or the Democratic Party of Senator Don Chipp, is likely on past performance to be more marked in the distribution of Senate preferences.

Mr. Fraser is credited with having provoked Senators by his insensitive handling of several recent Senate appointments and the apparent downgrading of the second chamber.

## Strong record

As Prime Minister, Mr. Malcolm Fraser's strongest asset is his proven election-winning record. He trounced Labor at the polls in December 1975 to win a record 55 seats and he repeated the performance with an early election in December 1977, when he was returned with a 48-seat majority in the 124-seat Chamber of Representatives.

After his second defeat in a row, the formerly charismatic Labor leader, Mr. Gough Whitlam, resigned. The leadership of the dispirited Labor rump in Parliament, and the country, fell to Mr. Bill Hayden, an ex-politician and economist from Queensland.

Decent, approachable and compassionate are some of the adjectives used to describe Mr. Hayden, whose personality stands in marked contrast to the angular, aloof and rasping style of Mr. Fraser—a man who knows the political jargon when he sees it.

One of Mr. Fraser's closest colleagues in the Senate insists, however, that what passes for Mr. Fraser's arrogance is actually shyness and that, should Mr. Fraser be returned to power at this election, he could well mellow into a Mendes-type leader, capable of creating the sort of consensus which Australia enjoyed through what is now seen, in

retrospect, as the relatively untroubled and confident 'fifties and 'sixties.

There is little sign of this at present, however.

Labor has recently been heartened by opinion polls, commissioned, it should be said, by the Labor Party itself, which show that while Mr. Fraser scores high on leadership compared with the self-effacing Mr. Hayden, the Labor leader is well ahead, in terms of his closeness to the people, political credibility, moderation and TV showmanship. He even scores marginally better on economic management—an important point on an election which is expected to be fought largely on economic issues.

Labor, furthermore, intends to fight this election with a leadership team comprising Mr. Hayden, flanked by Mr. Bob Hawke, the flamboyant former president of the Australian Council of Trades Unions (ACTU) and Mr. Neville Wran, the new president of the Party. As Labor Premier of the country's most populous State, New South Wales, Mr. Wran has earned a reputation for sound economic management and fiscal caution.

The three musketeers, as they were recently portrayed in the Press, intend to lead their campaign with an attack on the Liberal Party's "broken electoral promises."

These issues range from the dismemberment of the Medicare health security scheme to unfilled pledges to cut income taxes, fully index wages and drastically reduce inflation.

Labor claims that far from being the party of low taxes, low spending and a lower government profile, the Liberals have actually proved to be both high taxers and big spenders. Echoes of such criticism can also be heard in many a board room where the Government, although it is preferred by business circles, is felt to have been long on the rhetoric of smaller government, but short on substance.

It has not been bold enough, either to cut Government expenditure (of which over 60 per cent is in any case committed to the states or indexed to inflation), or tariffs in any meaningful way. Failing this, progress in cutting inflation has been slow, while economic activity has been generally sluggish. This has led to growing unemployment and slow progress in the vital area of infrastructure development and, above all, the shift of industry away from the inefficient, tariff-protected structure inherited from the past.

With an election looming, Mr. Fraser recently refused to accept the advice of a Royal Commission and reduce protection on textiles and shoes.

Whoever wins the next election, however, will face the problem of how to reap the opportunities offered by what looks like becoming a major minerals and energy development boom throughout the decade.

The projected mining boom looks like creating a series of

major political dilemmas and is far from being the unalloyed opportunity which it appears to many outside Australia.

Many Australians appear to have become deeply sceptical about the likely benefits they will receive from such development. One of the most important decisions made by the Fraser Government was that of introducing a world parity pricing for domestically produced oil which covers nearly 70 per cent of the nation's requirements.

The Government argues strongly that this is vital if energy is to be used efficiently and to develop alternative energy sources, such as the Rundle Shale oil project. But what strikes the average Australian voter, commuting many miles each day from the far flung suburbs, is the effect on his standard of living of what is, in effect, a large increase in indirect taxation. This hits all consumers, irrespective of their income and capacity to pay. Higher taxation, less than full inflation indexing of wages and slow growth have kept average living standards virtually stagnant for nearly five years.

Now the signs of pressure for higher wages are growing and threaten to spiral rapidly if, as expected, the projected minerals boom causes severe

bottlenecks in the supply of skilled labour.

The Labor Party leadership argues that this can only be headed off by policies aimed at bringing the unions more closely into the economic decision-making process, and ensuring that the expected mineral wealth is seen to be filtering back through to the community.

## Party's aim

Labor's recipe for all this is centred on the institution of the so-called resources rent tax, or "super profits tax," which, in the first instance, would substitute for the present oil levy and subsequently be introduced into other areas. The party is also planning the creation of a State Hydrocarbons Corporation, modelled on the lines of BNO or Norway's Statoil.

All this is, of course, anathema to the Liberals who point to the negative impression this will have on foreign investors who are currently fuelling a strong bull market on the stock exchanges and preparing to invest billions in energy and mineral related projects. The Labor view is that Australia's combination of cheap coal and abundant bauxite is unmatched elsewhere. But it is concerned that competition between the states to attract foreign investment by offering low electricity prices,

and subsidised infrastructure, threatens to reduce the overall benefit of such schemes to the country. This is a new gloss on traditional Labour and union suspicion of "the multinationals" and foreign mining companies in particular.

But the Treasury has also expressed such fears. Labour argues that it would ensure that the proposed investment boom is planned more carefully. Labor spokesmen, like the shadow minerals minister, Mr. Paul Keating, are furthermore, sceptical about the kind of investment figures now being bandied about in the pre-election atmosphere. Estimates range from around \$A27bn to some \$A80bn, including infrastructure and Labor believes that investment, even at the lowest end of this sort of range would be simply too much to be digested.

A lower rate of development, more carefully regulated and, taking place in a climate of Labor co-operation, would be in the best interests of Australia and foreign investors alike, they argue.

The question of Labor co-operation, and the equally important need to ensure Aboriginal consent for mining projects, has been raised to the forefront of national and foreign attention by two major disputes in recent weeks.



The Prime Minister, Mr. Malcolm Fraser



The Labor leader Mr. Bill Hayden

Both are being used to point out the dangers implicit in what Labor spokesmen describe as "the confrontational tactics" of the Liberals and their "broken promises."

Coal miners in Central Queensland went on strike for more than two months over Government plans to tax their subsidised housing, despite earlier assurances to the contrary. Aboriginal distrust, meanwhile, flared in the wake of strong-arm tactics by the Premier of Western Australia,

Sir Charles Court, to ensure oil drilling at Noonkanbah, in an area considered to be an Aboriginal sacred site.

Both incidents highlighted the sort of problems which have helped to ensure that Australia, in recent years, has not been able fully to capitalise on its enormous natural advantages. Creating a workable consensus about what Australia can and should achieve over the coming decade will not be an easy task. Considerable sensitivity will be required to solve the social

problems created by unemployment, the need to allow greater immigration of skilled workers, re-structure the economy and provide for the enormous construction and infrastructure development which is planned. This is really what the forthcoming election is all about, although whether the debate rises above the level of mutual recrimination and mud-slinging, typical of electioneering, remains to be seen.

Anthony Robinson

## ECONOMY (II): CURRENT PERFORMANCE

# Increase in investment

A SHARP increase in both consumption and investment expenditure in recent months, indicates that the Australian economy may now be expanding at a faster rate than the 3.5 per cent growth, on which the mid-August federal budget based its estimates.

At the same time, a spate of higher profits is being reported, particularly by the major mining companies, and stock markets are booming on the strength of rising domestic and foreign demand, particularly for resource based stocks.

The latest figures issued by the Bureau of Statistics indicate that new fixed capital expenditure is expected to rise by 21.5 per cent over the second half of the year.

The rise is concentrated in the mining sector—where investment is expected to be 60 per cent above first half levels—in manufacturing investment (including the massive smelter projects) and in construction.

In real terms, private fixed investment this year is expected to rise 10 per cent over 1979 levels while the latest retail sales statistics indicate a 4 per cent increase in consumer spending this year.

Hourly earnings meanwhile rose by 10.9 per cent over the year to end-June, only slightly faster than the consumer price index which rose to 1.7 per cent over the same period.

As the economy picks up, however, pressure for higher wages and salaries is expected. This could make it difficult to keep average weekly earnings to the 12 per cent rise forecast in the budget papers for the current financial year.

Higher private investment and consumption, meanwhile,

is expected to be compounded by higher public sector spending—particularly by State governments which are embarking on an extensive programme of infrastructure spending—including the odd election-orientated but economically questionable dam projects such as Queensland's Burdekin dam.

The Federal budget forecasts a 13.7 per cent rise in Federal spending, compared with 9.1 per cent last year. Tax revenues however are scheduled to rise even faster, by 16.2 per cent, thanks mainly to an \$830m increase in revenue from the crude oil levy. This will permit a \$60m reduction in the domestic balance and create a small, \$39m, domestic surplus.

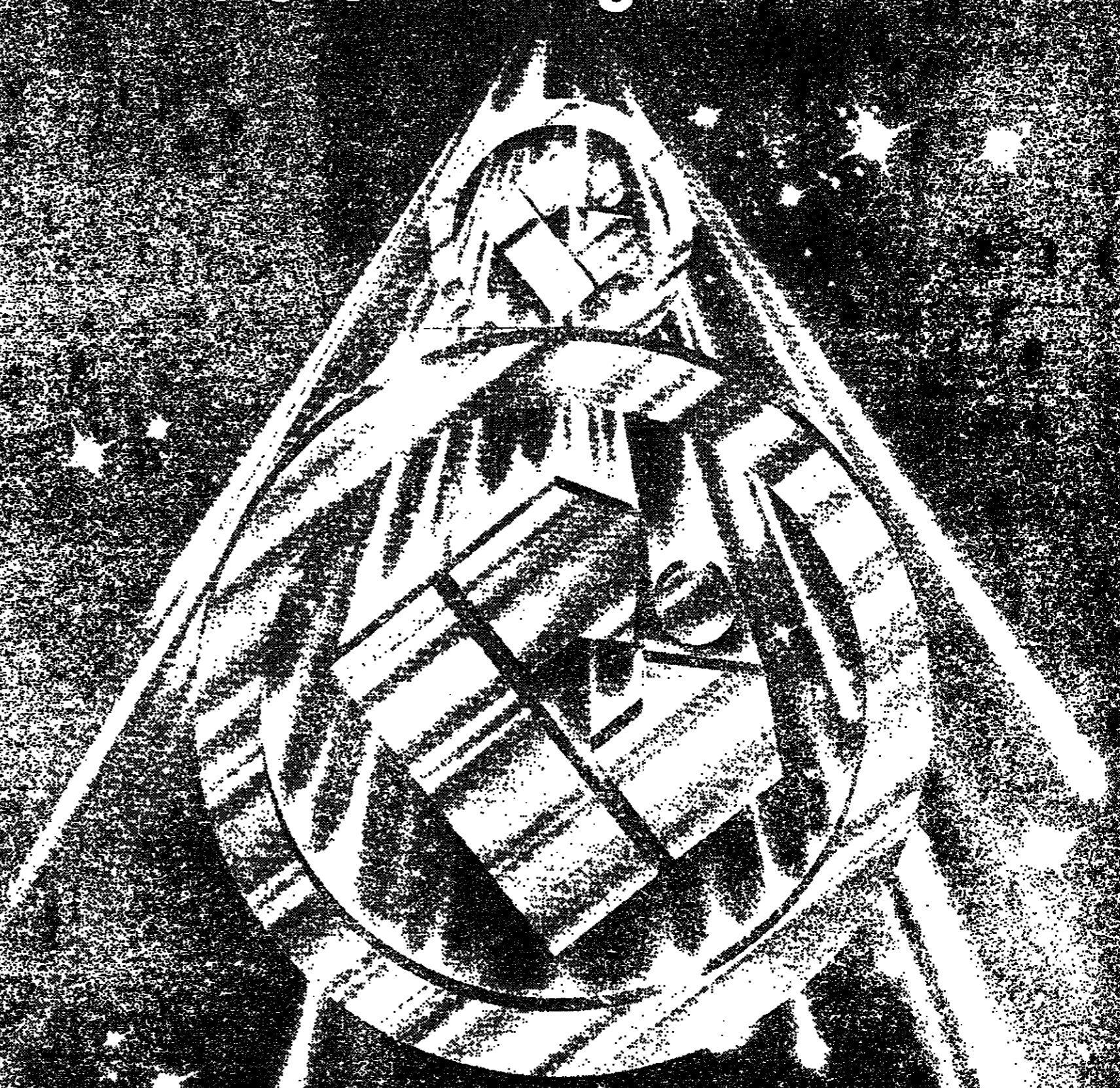
On the external trade account, the budget papers assume little real growth in economic activity in the OECD area, as a whole, but continuing, albeit slower, growth in Japan and the oil-producing countries.

Under these conditions, little growth is forecast in real exports of goods and services after last year's near-record 14 per cent rise. Imports, however, are expected to rise quite sharply—reflecting increased imports of capital equipment associated with the forthcoming resource and energy boom and higher defence expenditure. Higher private and public capital inflows are also expected.

As a reflection of the Treasury's concern about the possible resurgence of inflationary pressures, monetary policy will continue to be restrictive. The Government aims to keep the M3 money supply growth within a 9-11 per cent range, below last year's 13 per cent.

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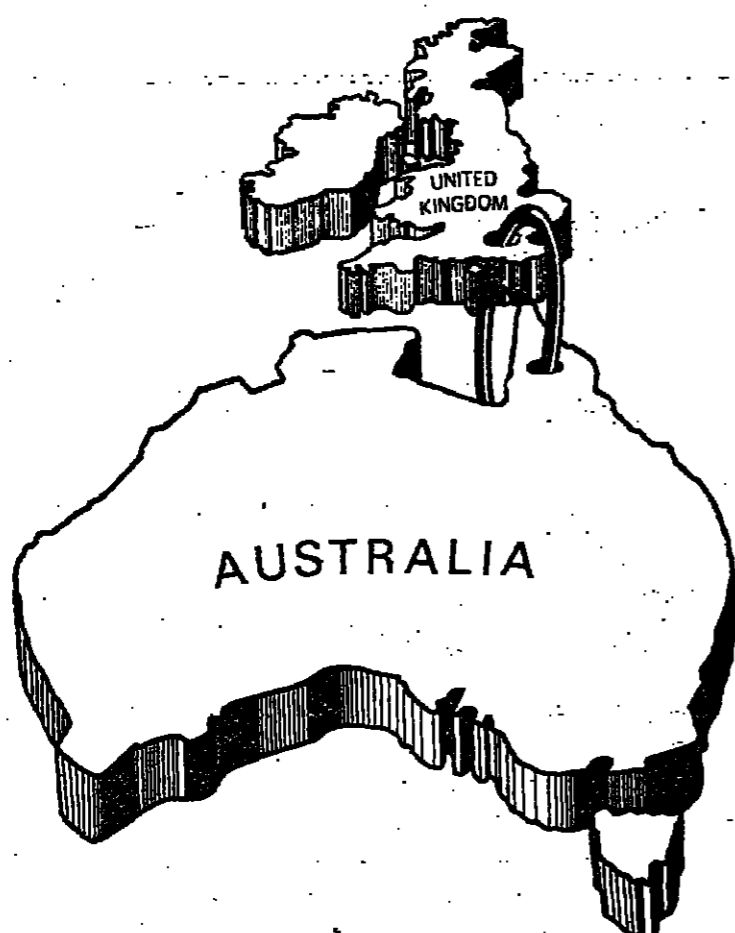
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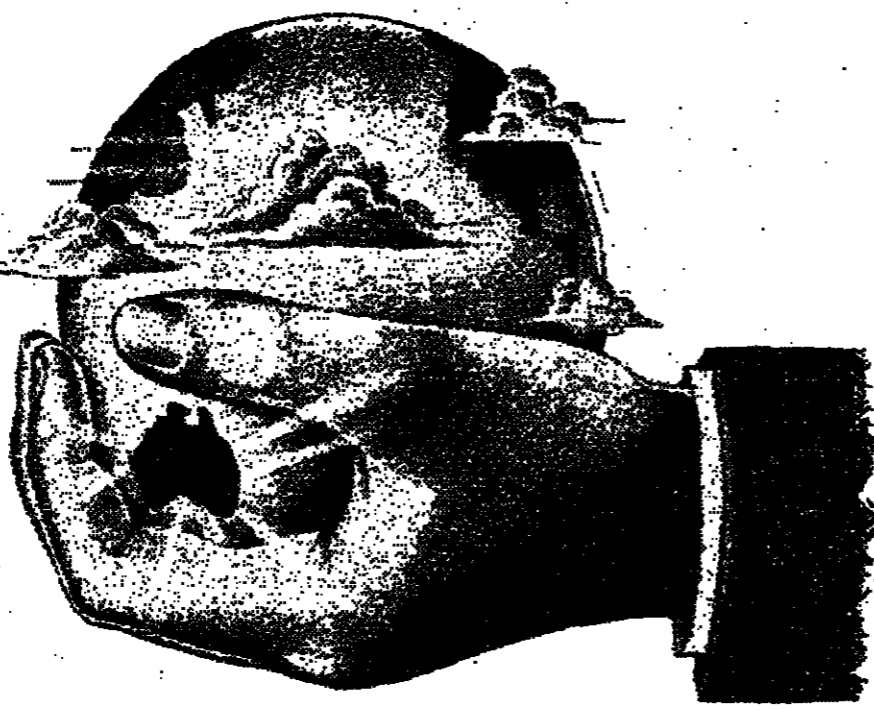
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THE DECISION announced last month by the Australian Government not to significantly alter the level of protection applying to the textiles, clothing and footwear industries, was a bitter blow to the anti-protectionist lobby and to the Industries' Assistance Commission (IAC), the Government's advisory body on tariffs.

After two public draft reports and more than a year's debate and intense lobbying on the issue, the Government rejected the IAC's recommendations to abolish quotas on textiles, clothing and footwear and gradually reduce tariffs over a five-year period beginning in 1981.

The Government, which is facing a federal election on October 18, said it could not accept the projected loss of 11,000 jobs, in addition to the expected 16,000 to 19,000 jobs that will be lost to the sector by 1986, because of technological change. The sector currently employs about 100,000 people, a fifth of the manufacturing workforce.

Quotas and tariffs will remain for a seven-year period starting in 1982 with token concessions to developing countries, a definition which does not extend to Australia's neighbours, the Association of South-East Asian Nations (ASEAN).

Apart from the IAC itself, the announcement brought audible groans from the Treasury because of the economic implications and from the department of foreign affairs because of the foreign policy issues.

Members of ASEAN—Indonesia, Malaysia, the Philippines, Thailand and Singapore—which, as Australia's near neighbours are of immense strategic importance as well as economic significance because of their rapidly growing economies, were predictably angry at the decision.

Prime Minister Lee Kuan Yew of Singapore publicly criticised Australia's protectionist policies on manufactures at this month's Commonwealth Heads of Government Regional Meeting in New Delhi. Mr. Lee said Australia could not expect

support for its campaign against the protectionist policies of the European Economic Community and Japan, while itself retaining high tariff barriers against its neighbours.

On the economic aspect, the Treasury believes that lowering protective tariffs despite possible unemployment in the short-term is essential for easing other pressures likely to arise in the 1980s as large-scale resource development gets underway.

The expected inflow of foreign capital for development and expected rise in export income from increased mine output, coupled with import restrictions is likely to lead to a balance of payments surplus and higher than desirable increase in the money supply.

This in turn would lead to higher domestic inflation and measures to combat it such as higher interest rates and revaluation of the dollar—moves which would hurt efficient and inefficient producer alike.

Far better, argues the anti-protection lobby, to restructure industry in a way that hurts only the inefficient sectors, leaving the efficient to take up the resources liberated by the decline of the import-substitution industries.

Manufacturing employs just over 1m of Australia's 6m workforce and contributes around 20 per cent to both Gross National Product and export income.

The Government in theory at least, is committed to reducing tariff protection. Its 1977 White Paper on Manufacturing Industry recognised that import constraints had resulted in resources being deflected into a highly diversified manufacturing sector, with employment levels in many areas "directly dependent on the continuation of protection."

However, the actual decision to lower protection with its politically unpleasant implication of higher unemployment (Australia's current rate is 5.3 per cent) seems to be receding further into the future.

The Government accepted last year the recommendations of the Crawford Study Group on Structural Adjustment, which

AUSTRALIAN MANUFACTURING INDUSTRY				
	% Average annual growth in value added 1968-69 to 1977-78 at constant prices	Percent employed June, 1978 '000	% Average annual growth in employment 1977-78 to 1980-81	Protection rate in 1977-78
Food, beverages and tobacco	3.3	183	-0.2	15
Textiles	0.1	37	-5.2	57
Clothing and footwear	0.4	80	-4.5	149
Wood, wood products	1.3	71	-1.7	23
Paper, paper products, printing	2.3	96	-0.3	10
Chemical, petroleum and coal products	2.2	82	-0.4	19
Non-metallic mineral products	2.9	45	-1.3	5
Basic metal products	2.7	89	-0.1	14
Fabricated metal products	-0.3	102	-1.3	33
Transport equipment	1.9	155	-2.4	61
Other machinery and equipment	1.8	140	-0.4	21
Miscellaneous	4.9	62	-0.8	27
<b>TOTAL MANUFACTURING</b>	<b>2.7</b>	<b>1,123</b>	<b>-1.5</b>	<b>36</b>

Note: Effective rate of assistance—% by which value added per unit of output is increased by tariffs, quotas and subsidies. Source: Industries Assistance Commission.

recommended gradual reduction of import restrictions. However, although the Crawford report recommended that the Industries' Assistance Commission begin an assessment of the economic circumstances of protection policy, in general, the Government has decided to defer this review until the end of next year when the IAC is expected to complete its current industry-by-industry review, of which the controversial textiles, clothing and footwear decision was a part.

The IAC is expected to take 18 months to complete its review once it begins late next year and by then the Government will be facing another federal election. Unless the economy has substantially picked up, neither the Liberal National Country Party coalition nor the Labor Party will want to make decisions that can be seen to cost jobs.

Measurements and comparisons between countries on levels of protection are notoriously hard to quantify because of the

various rules that can be used to restrict imports. Australia, for example, banned for a time imported French cheese which was being flown daily to Sydney and doing a roaring trade through delicatessen shops. The argument used was not that the local industry needed protection, but that foot and mouth disease might be transmitted by the fresh cheese.

So far, debate on protection in Australia has centred largely on potential job loss rather than benefits to the consumer from lower prices for imported goods and a better allocation of the nation's resources. This is mainly because the industry lobby groups comprising both management and workers of threatened sectors have been much more vocal than consumer groups.

As part of its policy of trying to generate more informed debate on the issue, the IAC has published information papers which quantify "nominal" and "effective" rates of assistance and estimates of tariffs as taxes to consumers.

Nominal rates measure the amount prices of imports and import-competing domestically produced goods are raised because of protection.

The effective rate measures net assistance by taking into account tariffs that might apply to an industry's inputs.

The average nominal rate of assistance to the manufacturing sector in 1977-78 was 15 per cent and the average effective rate was 26 per cent.

Food, beverages and tobacco processing which is the largest manufacturing sector in terms of employment (around 200,000) and contribution to GNP and exports, has an effective rate of assistance of 13 per cent.

Transport equipment, including motor vehicle manufacture, which employs around 150,000 people has an effective rate of protection of 81 per cent, clothing and footwear 149 per cent, textiles 57 per cent, basic metal products 14 per cent and fabric-

ated metal products 32 per cent.

If industry is to be restructured, the obvious question arises of how the workers displaced can be re-employed. There is already evidence of drift in the workforce towards the services sector.

The services sector, in the past 20 years, has grown from 60 to 70 per cent of the workforce, most of the increase coming from the private rather than the government sector. The rural sector accounts for about 7 per cent and the mining industry less than 5 per cent.

During the 1980s mining can be expected to increase its share slightly and there is expected to be a continued drift to the services sector, especially to tourism which could create many as 60,000 new jobs within the next five years.

The Government is committed to an Australian motor vehicle industry and has already indicated that it will continue to allocate 80 per cent of the market to Australian-manufactured cars, holding at bay Japanese and European competition through tariffs and quotas.

However, even in this sector there will be some threat for specialisation and economies of scale as Australia participates in component manufacture for the "world car" concept of the large manufacturers General Motors, Holden (GMH) and Ford.

Off-set deals for purchases of foreign capital goods like aircraft will also continue to be a government objective.

There is general agreement that Australia's future lies in high-technology, capital intensive industries and not in labour intensive manufactures which can be produced so much more effectively by Australia's Asian neighbours. But for politicians with textile and automobile factories in their electorates, implementing policies towards this end, is not so easy.

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# Coal export boom forecast

**RISE** in oil prices and instability in the Middle East have led to a surge of enthusiasm in Australia, in the past year, about the country's potential to supply alternative energy—especially coal. Vast reserves of previously uneconomic steaming coal, used for power generation, are expected to be tapped in the next two decades to power industry at home and provide exports for an energy-hungry world at large.

This dirty, bulky, unglamorous resource has been hailed as the key to what the Prime Minister, Mr. Malcolm Fraser, has described as a decade of "unparalleled development and investment" in Australia in the 'eighties.

The World Coal Study has estimated that Australian coal exports could rise from the current 42.5m tonnes a year to 160m tonnes by the turn of the century, taking the country from its present position as the world's second largest exporter (after Poland) to number one exporter.

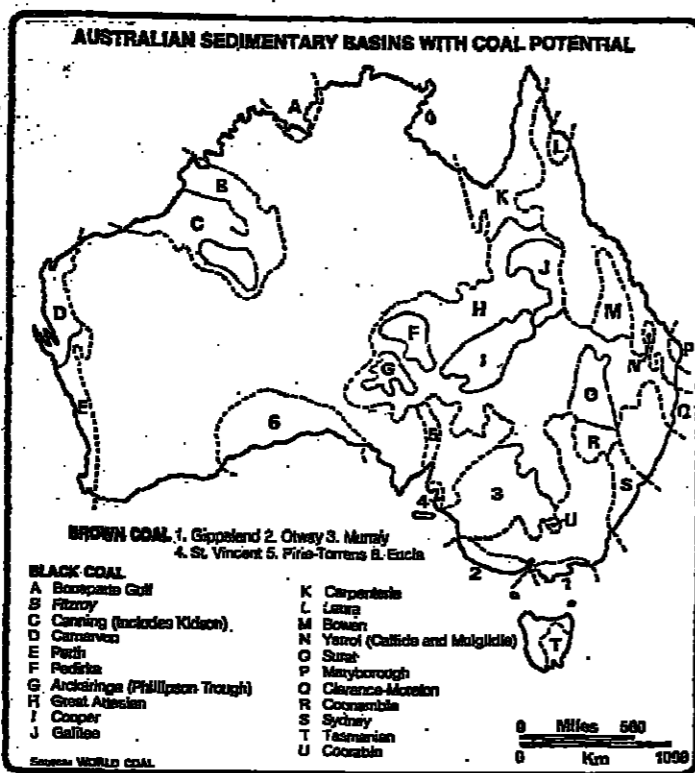
The international energy agency has estimated that demand for Australian coal could rise by the year 2000 to 155m tonnes a year, about half of which would be for steaming coal, used for power generation, and half for coking coal, used in steel production.

Coal is already one of Australia's largest export income earners—at \$1.7bn in 1979-80, it vies with beef and wool as the second biggest revenue earner, after wheat, at \$2.9bn.

Japan, the main customer for Australian coal, took 28.5m tonnes of total exports of 42.5m tonnes in the financial year, ended June 30, 1980. The UK was next largest customer for both coking and steaming coal, although both countries are trying to diversify their trading partners.

Australia supplies about 40 per cent of Japanese coking coal requirements; for security of supply, Japan would like to reduce this proportion to about one-third—the rest coming from Canada, the U.S., China and other countries.

Japan's intention to diversify supply sources appears to have intensified following a 10-week



strike by Queensland miners which ended last month and which held up about half Australia's coal exports.

Australia for its part hopes to develop substantial coal trade with the rapidly growing economies of the Association of South East Asian Nations, South Korea and Taiwan and, to that end, is offering technical assistance, mostly on a commercial basis but sometimes as part of aid programmes, to countries in the region interested in converting from oil to coal-fired power generation.

However, as the dust, and dust is the word with coal, settles on the initial enthusiasm, a harder look is being taken at obstacles to rapid coal development.

There is no doubt that the resources are there. Estimated reserves stand at 160bn tonnes and are constantly being increased as new finds are made. The reserves range from premium quality hard coking coal, mined in Queensland and New South Wales, to soft coking and steaming grades, also in New

South Wales. Vast quantities of low-grade steaming coal, currently uneconomic for export because of the high water content, but suitable for power generation *in situ*, exist in Victoria. The Japanese are considering establishing a liquefaction plant in Victoria to convert coal to oil.

Although Australia has only 5 per cent of the world's coal reserves, the country is likely to become the world's major exporter because of low domestic demand compared with countries like the United States, and because much of the world's coal is in populated areas or expensive to mine.

## Resources

However, physical constraints on the amount of development that can take place in a relatively short time and a possible backlash against coal when people realise its full social cost could slow coal export expansion.

As one mining official commented, "Mrs. Sydney and Mrs.

Tokyo are already objecting to their washing catching the filthy dust from coal loaders."

There is a feeling among Australian mining officials and bureaucrats that the world will probably reassess nuclear power within the next 10 years when the world realises the sheer volume of coal needed to replace oil and the associated problems, such as transportation and environmental and health factors involved in mining and burning coal.

Coal mining is still hazardous, in terms of accidents and miners' health. The open-cut mines, used extensively in Queensland, also create enormous environmental problems.

The built-up areas, such as Sydney, Newcastle, and Wollongong in New South Wales, dust from the coal trains—as they arrive at the ports and off-load coal—is already drawing protests from local residents. Then there is the additional pollution caused by coal-fired power stations.

Although electricity generating authorities maintain that emission control is better than for oil-fired power stations, there are still doubts in the minds of many people about sulphur dioxide, ash and even radiation released from power stations. Most of the environmental problems can be overcome, but at a cost which, of course, eats into the price differential between coal and alternative fuels.

There is also a suspicion that more oil will be found in the next 20 years and that more sober estimates of coal requirements will emerge as the initial panic caused by the rapid escalation of oil prices in the past few years subsides.

Even if coal demand is as voracious as current estimates, a number of factors may well hamper development. Coal miners will have to compete among themselves and with other miners for capital, labour and equipment. In addition, the great infrastructure development programme which includes 18 coal-fired power stations to double Australia's electricity-generating capacity by 1987 and five new aluminium smelters to

take the country to number one aluminium exporter by the mid-1980s, will also be competing for investment finance and labour.

Sir James McNeill, chairman of the mining and steel-making company, BHP, said: "Obviously, there are some misgivings about the concentration of development that is expected in the coming decade."

Capital, he believes, can be attracted from within Australia and abroad, but like other mining leaders and the Government itself, he sees a looming shortage of skilled labour as the main constraint to growth in the 1980s. Chronic shortages of geologists, mining engineers, and skilled workers such as metal tradesmen are being predicted from all sources with an increasing air of helplessness.

## Skilled labour

Some attempts are being made to improve the antiquated apprenticeship system inherited last century from Britain, but it appears that skilled labour will have to be imported through immigration at an accelerated rate throughout the 1980s.

The idea of skilled guest workers, for example, Japanese engineers, and Korean construction workers is being floated by some mining companies although it is bound to get short shrift from the unions while unemployment remains at nearly 6 per cent of the workforce.

Rising oil prices have made the exploitation of steaming coal deposits in Australia a viable alternative source of energy. An obvious scenario is to use that competitive advantage to process the country's raw minerals.

Japan has already announced decisions to cut back on some minerals smelting because of the cost of fuel and pollution problems. By investing in coal mining and raw material processing in Australia, Japan can "export" its pollution problems and import the benefits of cheap power. What Australia has to offer in the 1980s is "congealed electricity" or "frozen power."

In times of rising fuel prices for shipping it makes even less sense to be transporting bulky minerals and the coal to fuel processing halfway around the world.

Vastly increased production of aluminium using Australian bauxite and coal is already underway and there is obvious potential for more Australian processing of copper, zinc, ferro-manganese and alloy steels which require high concentrations of electricity.

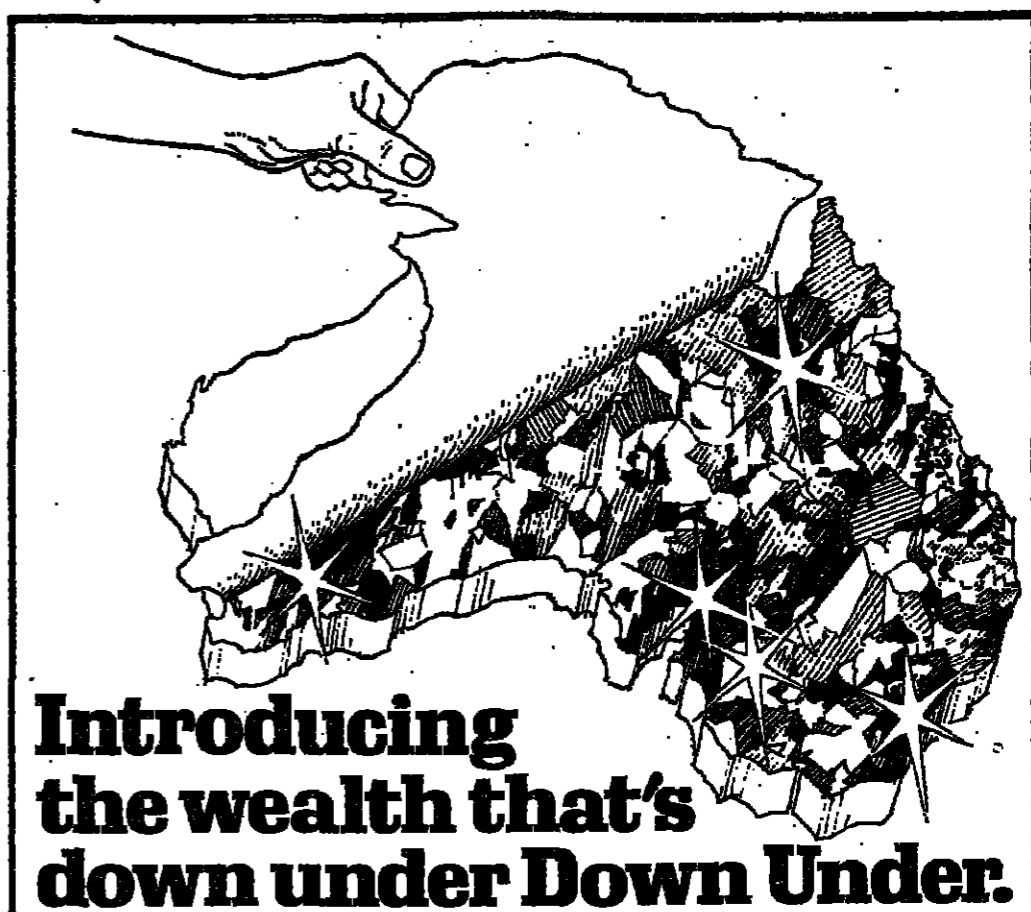
However, the six-year time lag on the building of a power station will obviously act as a break on growth, despite the effort being made by generating authorities to meet expected power demands.

Other factors such as port dredging and expansion, coal loader facilities, railways and even adequate mapping of proposed coal mines and their associated towns and infrastructure are possible bottlenecks to coal expansion.

The opportunities for a coal-fired boom exist in Australia. It is a question of whether—and how quickly—they will be seized.

Patricia Newby

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## Trade

CONTINUED FROM PREVIOUS PAGE

products than most industrialised nations including the U.S. and Japan.

Australia would dearly like to shift the debate from bi-lateral trade balances to a perception of Australia as a supplier of raw materials and energy, especially coal, to the benefit of the ASEAN economies, enabling them to sell more goods competitively and thus improve the well-being of the region as a whole.

To some extent, this is already happening, as can be seen from the shift in Australia's export composition. Until the mid-1980s, minerals constituted less than 10 per cent of total exports. In 1979-80 this share was roughly 36 per cent.

The rural sector, although still the biggest contributor to export income at 40 to 45 per cent of total exports has declined from its dominant position in the 1950s and early 1960s.

Exports of manufactured goods have grown rapidly in the past two years as Australia's inflation rate, currently at 10.5 per cent has fallen relative to many other countries and as the Australian dollar has declined against other currencies.

Elaborately transformed manufacturers (ETMS) which exclude processed minerals and primary products have been growing at between 30 and 40 per cent a year in the past two

years. However, this is likely to be one of the worst hit sectors if Australia's exchange rate appreciates under pressure from capital inflow for resource development and subsequent increases in export income as mines start producing.

Australia is having some success in developing high-technology, highly-skilled manufacturing industries such as medical instruments and heart pacemakers which it hopes will maintain a competitive edge.

Australia's relatively cheap sources of energy generated from coal may also help offset some of the disadvantages of high wages and a rising exchange rate.

The sale of consultancy ser-

vices to South-East Asia and the Middle East is also developing for projects such as telecommunications, dam and road-building (especially where experience of deserts is an advantage), and design for entire townships following expertise gained developing townships "from scratch" for remote mining areas of Australia.

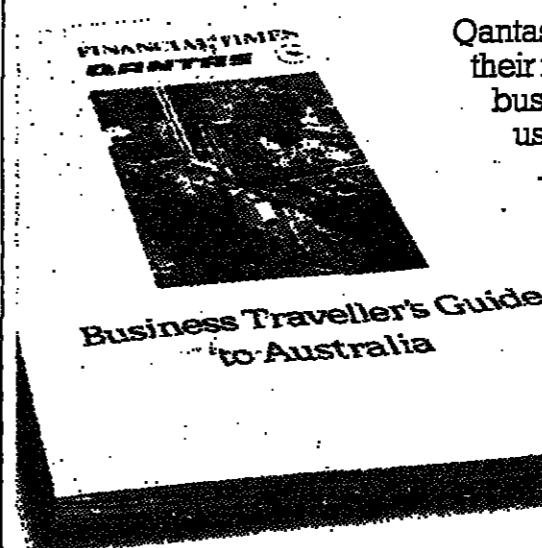
Despite the current acrimonious wrangling with the EEC and ASEAN and looming exchange rate setbacks, the broadening base of Australia's exports has led to general optimism about the country's future as a trader.

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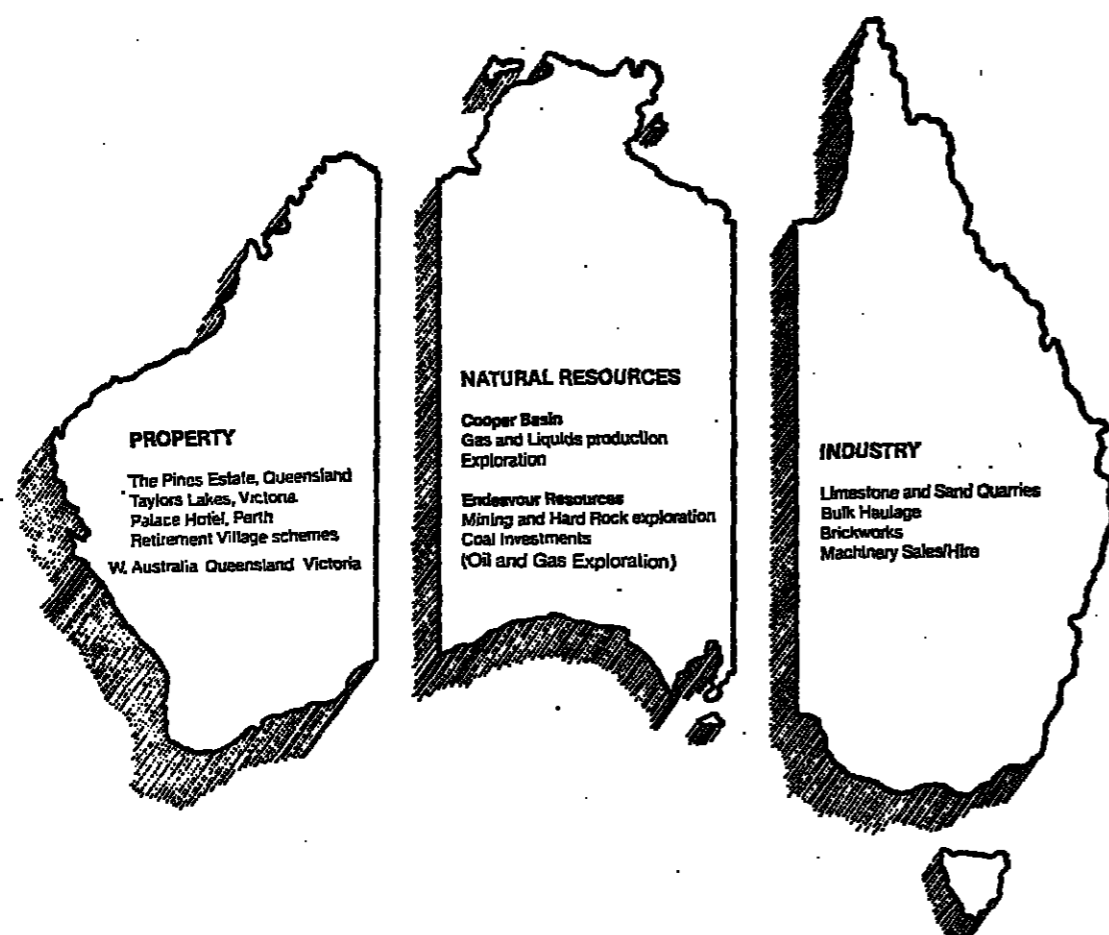
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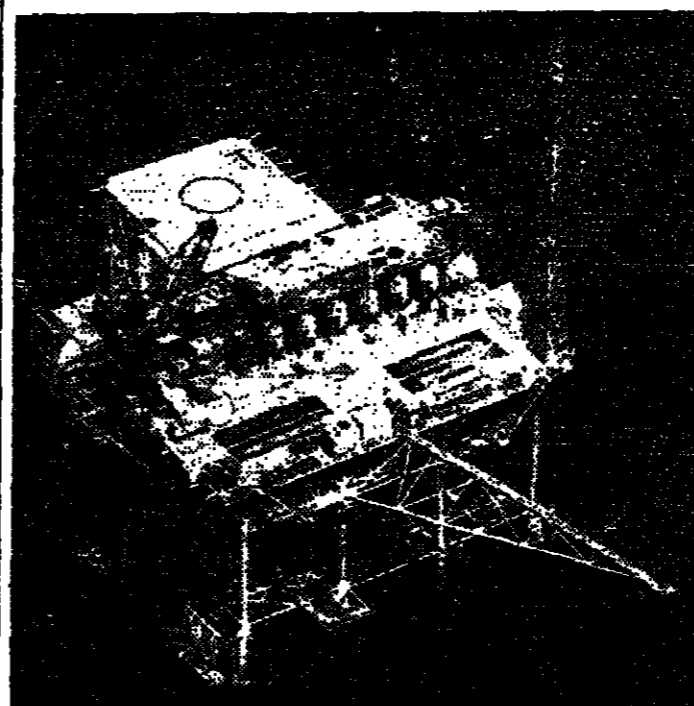
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## AUSTRALIA VI



Above: a rig in the Bass Strait oil and gas field. Right: an Aboriginal worker at a stone-crushing plant. Aboriginal Land Rights have been an issue in Australia for a decade, since minerals were discovered in remote areas of the continent.



# Growing interest in gas exploration projects

ALTHOUGH THE natural gas project on the North West Shelf has been underway for nearly a year, the newspaper headlines concerning this \$45bn project tend to give the impression that the go-ahead is still some way off. The companies involved, BP, BHP, Cal Asiatic, Shell and Woodside are soon to sign their formal participants' agreement. This will follow a liquefied natural gas (LNG) sales contract, with Japanese power companies. This alone will be worth \$50bn, give or take a few billion.

The project started three years ago. Western Australia's Premier, Sir Charles Court, counselled industrialists to gear up or miss out on spinoff from the nation's biggest commercial venture and warned that "when the whistle blows, the game will be fast and furious."

Although the whistle hasn't blown, the game has started. It has not yet become fast and furious, because many have not realised that it has started. The key is in world gas prices which have risen faster than oil prices since Sir Charles' timely warning. The sequence was to have been (i) LNG letter of intent; (ii) financing based on this agreement; and (iii), on this agreement, the development has been viewed as a one-off phenomenon. Exporting over half the North Rankin field's reserves was justified because it provided the economies of scale needed to bring the gas ashore and to have it piped 1500km from Dampier to Perth for local industrial use.

This same market turnaround promises other radical changes. From its conception through its 20-year gestation, the development has been viewed as a one-off phenomenon. Exporting over half the North Rankin field's reserves was justified because it provided the economies of scale needed to bring the gas ashore and to have it piped 1500km from Dampier to Perth for local industrial use.

### Premium fuel

The technical problems involved are extremely complex. Exploitation involves lifting gas from 4,000 metres of water and mud, 130 km offshore on a remote and cyclone-swept coastline, then chilling the gas to near absolute zero and transporting it 6,700km to the nearest market, where it is "regasified" and used in the production of electricity. But instead of fading out, LNG is taking up part of nuclear power's slack, as natural gas enters an unexpected boom; LNG has become a premium fuel. Australia, because of its stability, has become a premium source.

There are wide implications in this, with other Australian gas deposits becoming attractive. The Woodside group has decided to exploit the nearby Goodwyn gasfield (apart from North Rankin), with a third platform. There are improved prospects, too for the Wapet group (Ampol Exploration, Cal Asiatic, Shell and Texaco) at its West Tryal Rocks gasfield on the North West Shelf and for the Petrel and Tern fields, with Aquitaine the prime force, in Bonaparte Gulf Basin in the far north.

Drilling began off the Exmouth Plateau off the North West Shelf, in 1979, on the basis that only major oil accumulations could be considered in such deep water, even then on technology's leading edge. The new gas price scale and the discovery of what appear to be immense gasfields have shifted the technological frontier to the point where even this gas will probably be exploited.

Gas gives Australia strong leverage in working towards the best option for resources development. It can be retained as a relatively cheap energy source: a cubic foot of gas, used onshore adjacent to the North West Shelf, will cost about half

the same cubic foot of gas via the LNG route in Japan—more than enough to offset the region's low productivity.

Gas can also be exported to boost overseas earnings. Or, and most likely, it can help to achieve both—and this will become a delicate policy decision, as implications of the gas price revolution are examined. Woodside's vast project tends to overshadow these less immediate considerations, meanwhile contributing issues of its own. The 11th-hour decision to strip LNG fractions from the natural gas before export makes available 640,000 tonnes a year of feedstock.

LFG is one of the four product "streams." LNG will initially be exported to Japan over 20 years, at an annual rate of 6m tonnes. This process will produce an annual 1.4m tonnes of condensate. And "sales gas" will start flowing from 1984 (73m cubic feet a day for use in the Pilbara—iron-mining region, adjacent to the North West Shelf; 321m for Perth and its industrial satellites, notably for the expanding aluminium industry).

It was on the basis of the local "sales gas" that Woodside Petroleum was able to secure a \$1.3bn loan, the biggest non-recourse loan in history, to help pay its way, although it has relinquished its role as a LNG tanker fleet-owner.

The main contract let, so far, has been to Nippon Kokan KK,

for the first platform jacket. Indeed, this signalled that the project was inexorably underway. Moving through the "weather window" of northern hemisphere typhoon and North West Shelf cyclones, the jacket must be on location mid-1982 to meet the 1984 initial production schedule.

Later this month, contracts are due to be let for the first eight process modules for the platform, to be built at Perth's new Jervoise Bay load-out facility, and for the accommodation and helipad modules. Tenders are being considered for the flare jackets; and, on the hook-up side, for platforms and module installation, hydraulic welding, submarine pipelines, trenching and stabilising and grout bagging.

### Cost levels

Perth's prime office space has been filled as a steady stream of contractors and consultants arrive to work on this project as well as Alcoa's Wagerup and the Reynolds-Shell-BHP Worsley alumina developments (the State's first \$100m-plus projects, after a break of about eight years).

Yet, costs have remained surprisingly steady, largely because the flood of work is yet to have a drastic effect on the fabrication industry, where competition—built-up in anticipation of the energy-based boom—has become fierce.

Although some of the big contracts have already gone overseas, including a controversial job to Hyundai of Korea, Australia's west coast is establishing the infrastructure necessary for it to qualify, next time.

Shell made it clear at the outset they were not in the business of financing prototypes—and Australia's lack of experience has proved costly. One of the attractions of LNG is that the customer nation can offset energy costs by exporting its technology for LNG; this comprises a high proportion of total outlay.

As big as it is, the North West Shelf project can safely be regarded as Australia's "ice in the petroleum export door." The rules will change next time, as local industry demands a bigger share of the spinoff and as local politicians feel more able to ensure that they receive it. With gas prices rising, the fact that the west coast is considered gas-prone is less discouraging to explorers. Industry experience suggests that the consequent increase in drilling will produce oil, as well as gas.

Thus, with considerable help from world gas markets, the North West Shelf development has become an important catalyst for the exploration and processing industries, quite apart from being the biggest private industrial project in Australia's history.

Don Lipscombe

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## AUSTRALIA VII

## A rapid surge in mining developments

ALTHOUGH THE mining industry has long been important to Australia, it will become increasingly so in the 1980s as the result of a huge surge in the development of fresh mining projects, primarily based on energy-related exports.

The inexorably rising prices for oil has focused the world's attention on alternative energy resources, and Australia comes out high on the list. It has abundant supplies of steaming coal, natural gas, uranium and oil substitutes such as oil shale and coal suitable for liquefaction.

The availability of large amounts of relatively low-cost energy is also attracting energy hungry industries such as aluminium. It was not until the 1960s and 1970s that large, capital-intensive open-pit mines, big by world standards, were developed in Australia.

As a result, the contribution of minerals, including petroleum, grew from 24 per cent of total export income in 1968-69 to about 40 per cent in 1978-79.

Moreover, this was achieved during a period of world-wide economic recession, and when Australia's traditional major exports of pastoral and agricultural products had been declining. The coming "development decade" will outstrip the growth of the past 20 years and require huge sums for investment.

## Investment

A recent study by the Department of Industry and Commerce recorded investment projects totalling A\$29bn in the 1980s, almost entirely accounted for by the mining and mineral processing industries. This is more than A\$4bn higher than the previous estimate by the department in October of last year.

But it is much less ambitious than some of the surveys conducted by private interests. A recent study, prepared for the Australian Industries' Development Association, put the projected capital spending over the decade at A\$80bn.

The management consulting group, W. D. Scott reached a figure of A\$52bn. Certainly the industry and commerce survey made little allowance for the boost in electrical power generation needed to cater for the development, and which is estimated to require at least A\$10bn. Nor did it include ambitious projects such as the rundle oil shale venture in Queensland, in which Esso, owned by Exxon Corporation of the U.S., recently joined with

two small Australian companies. The venture envisages production of 200,000 barrels of synthetic oil a day by 1990—equivalent to about 30 per cent of Australia's present requirements and 20 per cent of its estimated 1990 requirements.

The problems are formidable. It would require mining massive amounts of material—up to 1.5m tonnes a day, and the capital costs could run between A\$10bn and A\$15bn. Esso seems confident that the project will go ahead. Yet Rundle is only one of several oil shale deposits in Queensland, and by no means the largest, although it is amenable to mining, and located close to a port.

The mining boom, 1980 style, will be different from that of the late 'sixties and early 'seventies. That surge was based on iron ore, coking coal and bauxite-alumina. This time around it will be energy resources: steaming coal, uranium, natural gas.

The commitments already made to install aluminium smelters to boost production of the primary metal its also related to energy. Aluminium smelting is an energy intensive process and the increasing cost of power in the major aluminium producing countries, such as the U.S. and Japan, is forcing the siting of smelters close to the power source rather than to the markets.

In effect, Australia will be exporting energy in the form of aluminium ingots—or "congealed electricity" as some have dubbed it. At least five new smelters are planned which will boost Australia's production of aluminium from 280,000 tonnes a year, or two to three per cent of total world production, to 1.6m tonnes, or 10 per cent, by the mid-1980s.

Australia is already the world's largest producer of bauxite, accounting for about one-third of the western world's total output and is second to the U.S. in alumina production, accounting for close to 30 per cent of the western world's output.

Steaming coal, once the poor relation to the higher-priced metallurgical coking coal, holds out great promise. But the rising cost of oil is inducing power utilities around the world to convert from using fuel oil to steaming coal for power generation.

Japan in particular is expected to import huge amounts of steaming coal, with Australia and the U.S. the most

important suppliers. Australia has almost limitless supplies of coal, enough to support expanding production and export for several centuries.

The International Energy Agency has predicted that Australia will be the world's largest coal exporter by the 1990s. A recent analysis by the Esso oil group indicated that the continent's remaining discovered coal reserves were equal to about 170bn barrels of oil, of which only about 3bn barrels would be used within Australia by 1990.

The recent world coal study predicted that Australia's coal exports would soar from 38m tonnes in 1977 to 160m tonnes a year by 2000. Exports of steaming coal were forecast to rise by an average of 14 per cent in volume terms over the

remainder of the century.

The study also found that Australia was the preferred source of supply for 25 per cent of the European market—a larger share than for any other exporter.

The majority of the steaming coal projects planned at present are in New South Wales, but they are mainly underground operations, while Queensland possesses large deposits capable of open-cut mining. NSW is also plagued by inadequate coal export loading facilities and there are fears that if new facilities are not quickly installed, Queensland could obtain large long-term contracts and move into production at the expense of some of the NSW projects.

The most ambitious Queensland steaming coal venture is at Blair Athol where a consortium

including the local Rio Tinto Zinc offshoot, Cera Arco of the U.S. and the Japanese Electric Power and Development Corporation, want to develop a 5m-plus tonnes a year operation. They have been stalled because the introduction of the Japanese would result in a foreign ownership greater than the 50 per cent generally allowed for new mining projects.

But it is suggested that a compromise is close which would result in Arco and the EPDC finding an Australian partner to take some of their equity, and the Government agreeing to lower its equity sights, at least temporarily, below 50 per cent.

The Australian Government has already softened its foreign ownership guidelines in recent years and introduced the con-

cept of granting honorary Australian status to companies which agreed to "naturalise."

## Majority

To qualify, a company must first have at least 25 per cent local equity and give an undertaking to increase it to 51 per cent, as well as ensuring a majority of Australians as directors. The Government may be forced to make further accommodations if it wishes to see all the proposed mining projects come to fruition.

But not everyone is convinced that the mining industry should be allowed to expand at the projected rate, simply because the growing pains could be too severe.

For a start, the domestic market is not capable of

financing development on the scale anticipated, even if the current Campbell inquiry into the financial system comes up with new means of mobilising capital. The states are now heavy competitors with the private sectors for funds from the capital market to finance their infrastructure requirements, creating the possibility that the private sector could be unduly squeezed.

The influx of foreign capital which will be necessary will put pressure on the money supply and increase inflationary pressures. Together with the expected boost to export income as the developments come on stream, there will be upward pressure on the Australian dollar.

This would rebound upon the

mining companies themselves, as it did in 1972 when the revaluation was an outcome of the mining developments of the late 60s. But probably more important from a political viewpoint is that it would put a heavy strain on the manufacturing sector, particularly costed industries such as motor vehicle manufacture and the textile, clothing and footwear sectors.

Despite recommendations by the Industries' Assistance Commission to restructure these industries, the Government has so far declined to act, because they are labour intensive. The mining industry, on the other hand, is capital intensive and a relatively small employer of labour.

James Forth

## Clash over Aboriginal Land Rights

THE CLASH between mining and Aboriginal Land Rights has hit the headlines again in recent months with the bitter conflict over oil drilling on an Aboriginal sacred site on Noonkanbah Station, in Western Australia.

The U.S. oil company, Amex Petroleum, backed by the Western Australian Government, headed by Sir Charles Court, has started drilling on the site of the sacred Goanna Spirit, at Noonkanbah, despite opposition from the Aboriginal lessees of the land and the Australian Council of Trade Unions, which banned union labour from the rig.

The nationally elected body of the National Aboriginal Congress earlier this month cited the case as evidence of racial discrimination to a United Nations sub-commission on protection of rights of indigenous people.

Aboriginal Land Rights have been an issue, on-and-off, in Australia for ten years since minerals, including uranium, were found in the remote north and centre of the continent previously inhabited only by the remnants of the original Aboriginal tribes.

Many middle-class Australians in cities such as Sydney, and Melbourne in the South, where there is scarcely an Aboriginal face to be seen, felt sympathy towards Aboriginal claims to

land and a certain amount of guilt about past treatment of Aborigines.

Although most white Australians want progress, they have no particular love for multinational mining companies and public opinion has often sided with the Aborigines.

As one cynic remarked: "The land doesn't belong to the Crown or to the Aborigines—it belongs to the first multinational that finds minerals on it."

## Inquiry held

Mining of the ranger uranium site in the Northern Territory was postponed for two years while an inquiry was held into all aspects of mining and export, including damage to Aboriginal sacred sites and disturbance to their communities.

Partly as a result of public opinion, the Whitlam Labor Government initiated legislation which was implemented by the Fraser Liberal-National Country Party Coalition Government in 1976 to give Aborigines land rights in the Northern Territory.

Apart from protection of their sacred sites and magnificent "galleries" of rock art, painted on cliff faces and caves, all over the Northern Territory, Aborigines see land rights as absolutely essential to self-determination and progress in

whatever form the people choose for themselves.

Mr. Gary Foley, an Aboriginal activist, said: "We will not be satisfied until the Aboriginal people have self-determination and this can only come when we have full control over our land and whatever money is necessary to establish economic independence."

"What we want is control over the land, the air above it, and what's underneath."

Under the Northern Territory Land Rights Act, about 25 per cent of the Northern Territory's 1.3m sq. kms has been granted to Aborigines and further claims are being processed.

The Government maintains that minerals on Aboriginal land still belong to the Crown, but it has also recognised Aborigines' spiritual ties to the land.

Thus under the law, exploration for minerals can take place on Aboriginal land but only with consent of the Aboriginal owners, but if they do consent to exploration they must by law, consent to mining. In theory it is up to the mining company involved to negotiate with the Aboriginal owners on compensation and royalties.

The Australian Mining Industry Council, which represents the non-oil mining sector, has criticised the Act, complaining that the Aborigines' right to veto against mineral

exploration is accorded to no other Australian landowner.

The white Northern Territory administration based in Darwin, has also criticised the act as creating a series of "black states" in the territory.

The Northern Territory contains large reserves of uranium (an estimated 17 per cent of the western world's easily recoverable reserves), bauxite, copper and gold. The 27,500 Aborigines and part-Aborigines comprise 28 per cent of the population and 10 per cent of Australia's total Aboriginal and part-Aboriginal population.

An estimated 300,000 Aborigines lived in Australia when white settlers arrived, 200 years ago. Today, there are about 20,000 full-blooded Aborigines, most of whom live in the remote deserts of Northern and Central Australia.

So far, there have been no cases of Aborigines actually preventing mining although negotiations are underway on a number of projects, including Pancontinental's uranium lease, which if developed could produce the biggest uranium mine in the world. Bitterness and suspicion created over Noonkanbah where the Aborigines did not actually own the land but held it as pastoral lessees will not have helped.

Land rights at least give the Aboriginal communities some

power to negotiate remuneration and terms on which mining will take place. For example, many communities object to mining townships being located near Aboriginal settlements because of the social disturbance caused by the introduction of alcohol, guns and single white miners who try to "buy" Aboriginal women.

The other main objection to mining is that it destroys the land, and for many Aborigines, destruction of the land means destruction of the Aboriginal people themselves.

## Sacred sites

For 40,000 years, Aborigines are thought to have inhabited Australia and their spiritual relationship with the land is undeniable. Aborigines believe that, for a child to be born, a spirit must first enter the child's life. These spirits come from geographical sites on the landscape—sites associated with characters from the dreamtime, the time long ago when everything was created. To destroy these sites would be to destroy the spirits of the living Aborigines associated with them.

"It has become fashionable," said Senator Fred Chaney, Minister for Aboriginal Affairs, "to ridicule and condemn this spiritual association with the land, to insult Aborigines to

whom it is still of great importance, and to assert that sacred sites are found only after mineral exploration has uncovered promising finds on Aboriginal lands."

There had been a failure among whites to accept the enduring qualities of Aboriginal culture, which despite all odds, had survived 200 years of intrusion of Western culture.

"The one aid to that survival has been land," said Senator Chaney, recently.

In the wake of Noonkanbah, the Federal Government has held meetings with both mining industry and Aboriginal leaders to try to facilitate what Senator Chaney has described as "an accommodation of interests" between the two groups.

Mr. Paul Phillips, executive director of the Australian Mining Industry Council, believes that "development without desecration" is possible, and says a high degree of mutual understanding and respect has already been reached between individual mining companies and individual Aboriginal communities.

The Aboriginal view is a little less sanguine after Noonkanbah and only time will tell if a harmonious accommodation of interest can be reached between one of the world's most ancient peoples and the needs of the 21st century.

Patricia Newby

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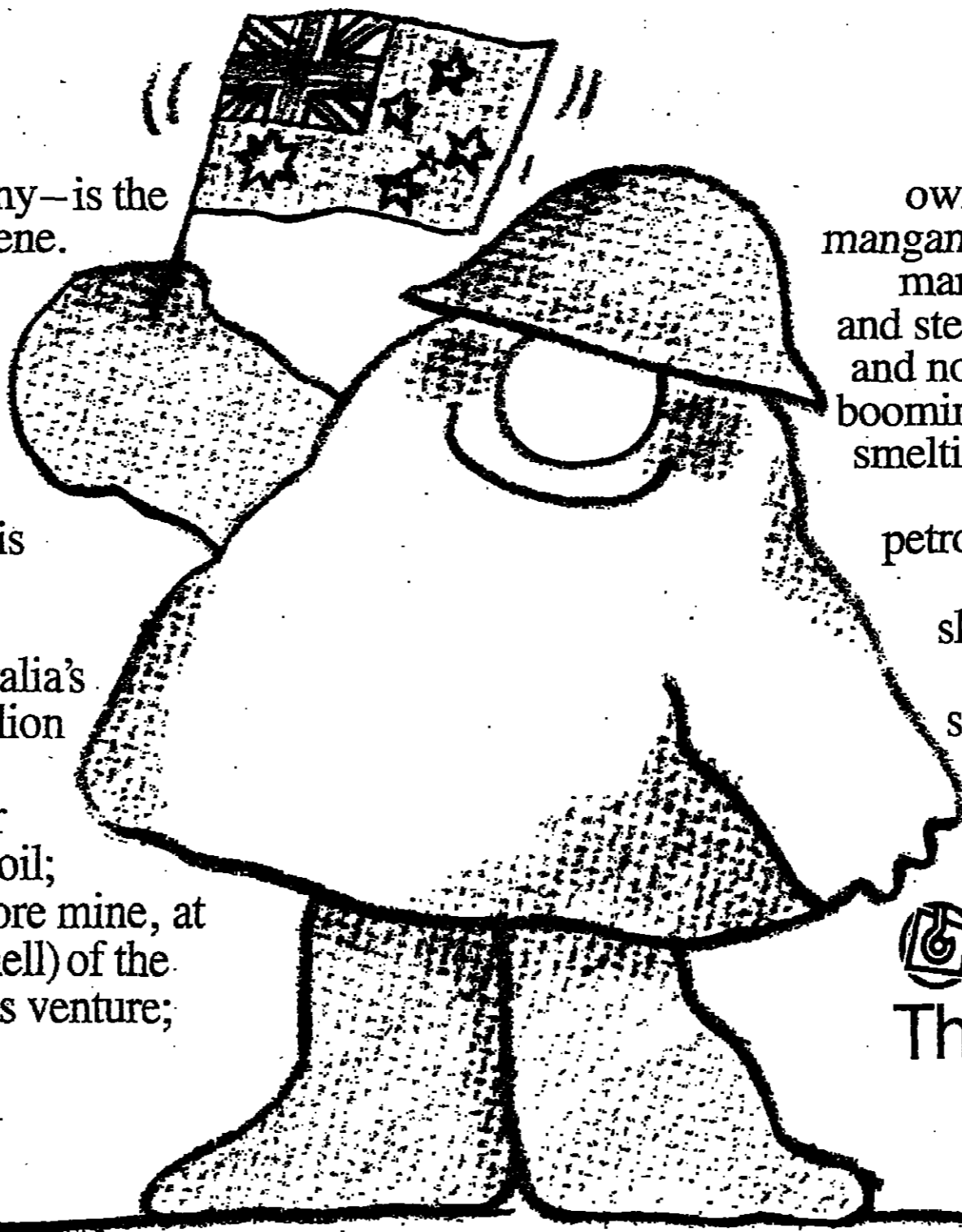
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## AUSTRALIA VIII

# Uranium mining back in business —but royalty problems remain

AUSTRALIA'S URANIUM mining industry is finally back in business. Within the past 12 months the relatively small, but rich, Nabarlek deposit in the Northern Territory was completely mined and the ore stockpiled for shipment.

Construction work is also well underway for the large-scale, long-term mining of the nearby Ranger uranium deposit, with production scheduled to begin late next year.

A new company, Energy Resources of Australia (ERA), has been formed to develop a uranium deposit with a paid capital of A\$410m and is about to seek A\$57.5m from Australian investors in the biggest public float yet undertaken in the country.

Exploration work is underway on a number of smaller, potentially commercial deposits in several States. After years of frustrating delays, which began with the election of a Labor Government in December, 1972, the industry and its supporters should now be relaxed about the outlook. But it is decidedly uneasy, aware that there are contentious issues still unresolved and how easily the gains achieved can be undone.

For example, the ERA float is now imminent, although it too has been subject to frustrating delays and was originally expected to take place about May. ERA has been put together to acquire the interests of the original uranium discoverers, Feko-Wallend and EZ Industries. The prospectus is due in October—and so it now transpires is a federal election. For the uranium industry this raises the spectre that the Australian Labor Party (ALP) might regain office—a spectre because the ALP's current present party policy is to repudiate "any commitment of a non-Labor government to the mining, processing or export of Australian uranium."

## Supply contracts

The ERA prospectus will draw attention to the ALP's policy but will also advance a number of reasons why the directors believe it is unlikely that any future Australian Government would prevent the continuing operations of ERA. The reasons include the fact that uranium supply contracts are held with utilities in several overseas countries, some of which will have an equity in ERA and that overseas banks and governments are involved in some cases.

The ERA directors argue that if an Australian Government acted against ERA it could do "immeasurable damage" to Australia's international standing and credit. The international and domestic banks, which have put up U.S.\$390m in project loans, obviously except these arguments.

But claims of immeasurable damage just might not sway the strong anti-uranium faction in the ALP. The possibility that a Labor Government will be elected on October 18 must be worrying to the industry, to investors and, importantly, to overseas customers. The ALP policy is officially backed by the union movement, but the unions are split on the issue.

The Waterside Workers' Federation, for example, recently voted to ban the export of yellowcake from the port of Darwin—the exit point for uranium from Nabarlek. The union also called on the Darwin City Corporation to declare the area a nuclear-free zone.

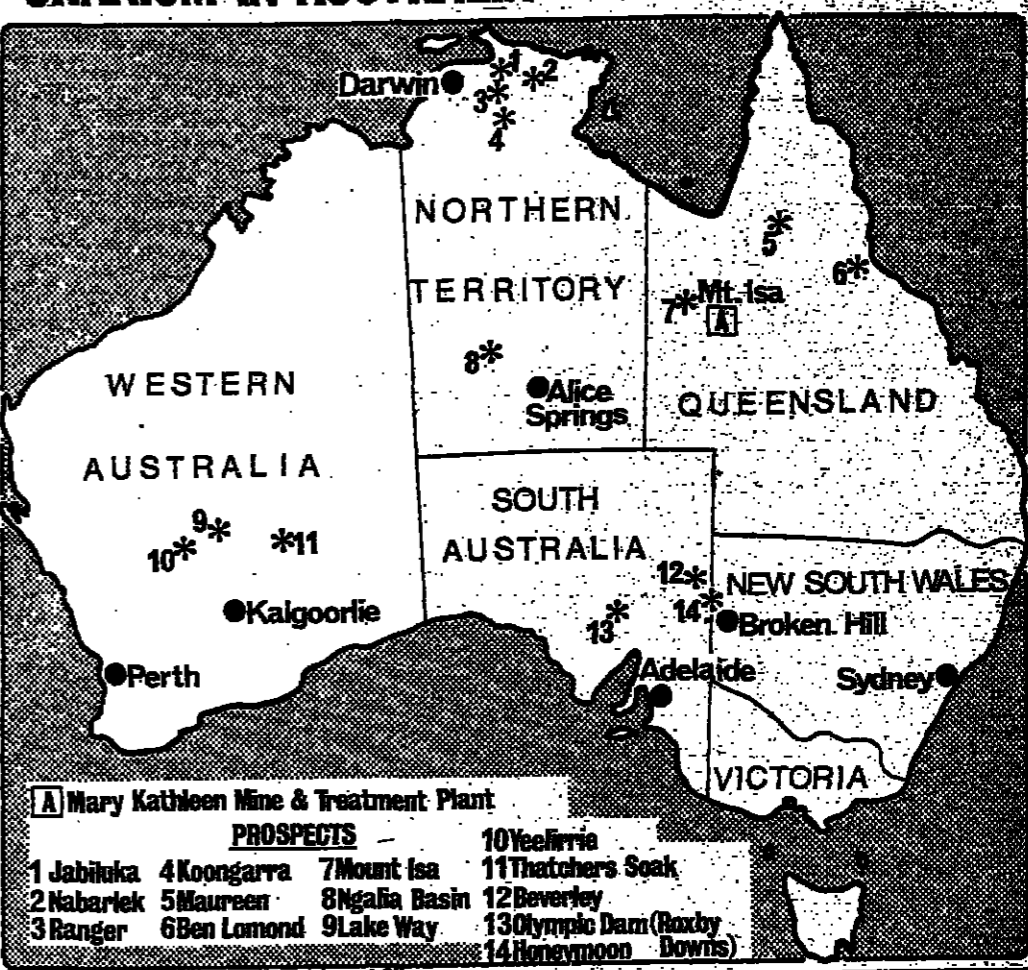
Whether such proposed bans will prove effective remains to be seen. But another whose members will be employed as a result of uranium development are understandably in favour of such development. The Australian Workers' Union, for one, has made it plain that it will ignore the ALP policy.

The potential exists therefore for conflict within the union movement over the issue of uranium development. In September last year, the executive of the Australian Trade Council of Unions tried to convince the unions to allow Ranger and Nabarlek to proceed but this was rejected. If the Fraser Liberal-National Country Party Coalition Government is re-elected, the ALP would not have another chance at government until the end of 1983. By that time, Ranger will be well in production and other smaller projects could also be underway which would make it increasingly difficult, and increasingly unlikely, that a Labor Government would enforce its policy.

There are other thorny problems, not the least of which is Aboriginal rights. Companies wanting to develop uranium deposits in areas on which there is an Aboriginal land claim must first negotiate the "terms and conditions" of mining, including royalties, with one of the regional land councils acting on behalf of the traditional Aboriginal landowners involved.

This proved a lengthy process with Nabarlek and Ranger and the indications are that it could prove even more difficult in the future as the Aborigines become increasingly aware of their power.

## URANIUM IN AUSTRALIA



to local Aborigines has aroused militancy among the Aboriginal community. The State Government actually stepped in and organised the drilling despite protests from the Aborigines, after the companies involved had halted work for fear of union reprisals.

The affair is not yet resolved with the unions still considering selective industrial action against the companies involved. The U.S. group, AMAX and the local industrial and mining group, CSR, which controls the drilling contract company.

More importantly, the Aboriginal land councils have decided to stop all negotiations with mining companies across Northern Australia until the W.A. Government enters into "meaningful negotiations." Maintenance of the ban would affect not only uranium ventures but other minerals, including the Ashton diamond finds in the Kimberly region of W.A.

The Federal Government can override any Aboriginal veto on mining in the national interest but wherever possible it would seek to avoid this fall back position. Aboriginal land rights is also clouding the prospects of resumption of exploration for uranium in the Northern Territory uranium provinces after a hiatus of several years.

## Arnhem Land

There is a long list of companies seeking to explore the Alligator River Region, where the Ranger Province is located, and the Arnhem Land Region. The list includes major local companies such as BHP, CRA and MIM, and foreign groups such as Italy's AGIP Nuclear, Minatome and AFNECO of France and Germany's Uranengesellschaft and Uranerz.

Several oil majors including Esso, BP and Mobil are also keen to explore. The hiatus is a legacy of action taken by the Whitlam Labor Government which immediately slapped a ban on uranium hopefuls from negotiating additional uranium supply contracts.

Large scale development will not now go ahead until late 1981 and the question of development of other deposits, particularly the much larger Jabiruka deposit owned by Pancontinental Mining and the U.S. group, Getty Oil. There are a number of other potential uranium projects in other states, notably Western Mining Corporation's Yeelrie deposit in W.A., in which the Exxon group is a partner, and the potentially huge Roxby Downs uranium-copper deposit in South Australia, involving WMC and British Petroleum. While the furor still rages, work is

quietly going ahead in the prospects of setting up a commercial uranium enrichment industry in Australia.

## Enrichment

The major Australian companies, BHP, CSR, Feko-Wallend and WMC are involved in one study, and the Australian Government has also had discussions with the European Organisation, Urenco/Centec on the possibility of uranium enrichment technology being made available to Australia.

South Australia and Queensland are vying with each other to establish enrichment facilities within their boundaries. While this activity goes on many observers believe that the Australian uranium industry, while it may not have actually missed the boat, will still suffer from the delay in production because the uranium market is now soft.

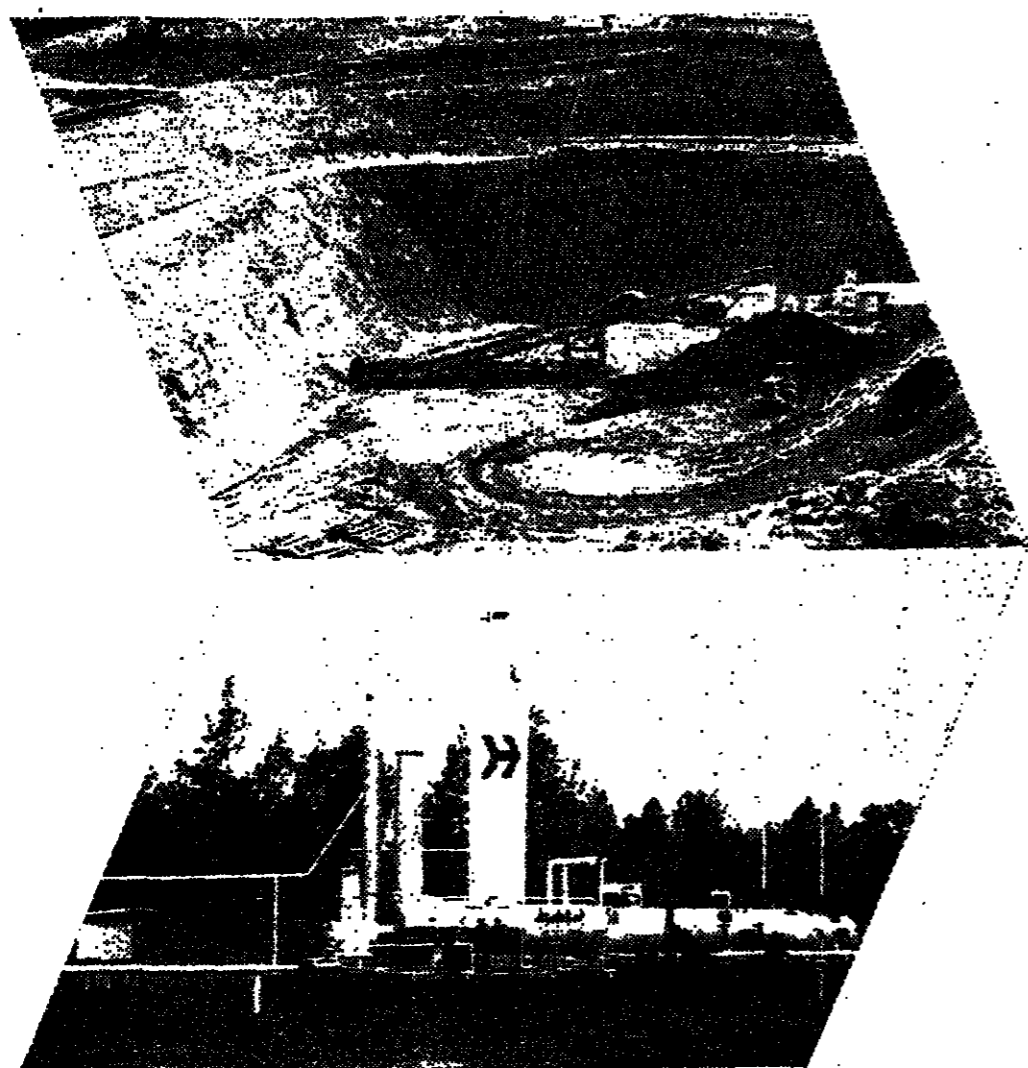
A number of studies on nuclear power generation indicate that it could be 1990 before demand for uranium catches up

with supply. Britain's civil uranium procurement dropped out of the bidding for foreign equity involvement in the ERA earlier this year, reportedly because it felt the price the Australian company was seeking for its yellowcake did not reflect the depressed state of the world market.

But ERA was still able to negotiate contracts with other countries including Japan, South Korea, Western Germany and the U.S. and has now tied up close to 90 per cent of the project's planned initial capacity, for the first 15 years of operations.

The debut of ERA on the Stock Exchange this later this year will give a clearer indication as to how the local and international investors view the future prospects, which is usually a fairly reliable indicator. ERA will have an issued capital of A\$410m, of which A\$57.5m or 14 per cent will be paid by public investors at an issue price of A\$1.00 a share.

James Forth



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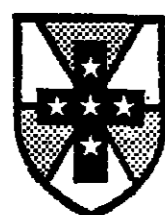
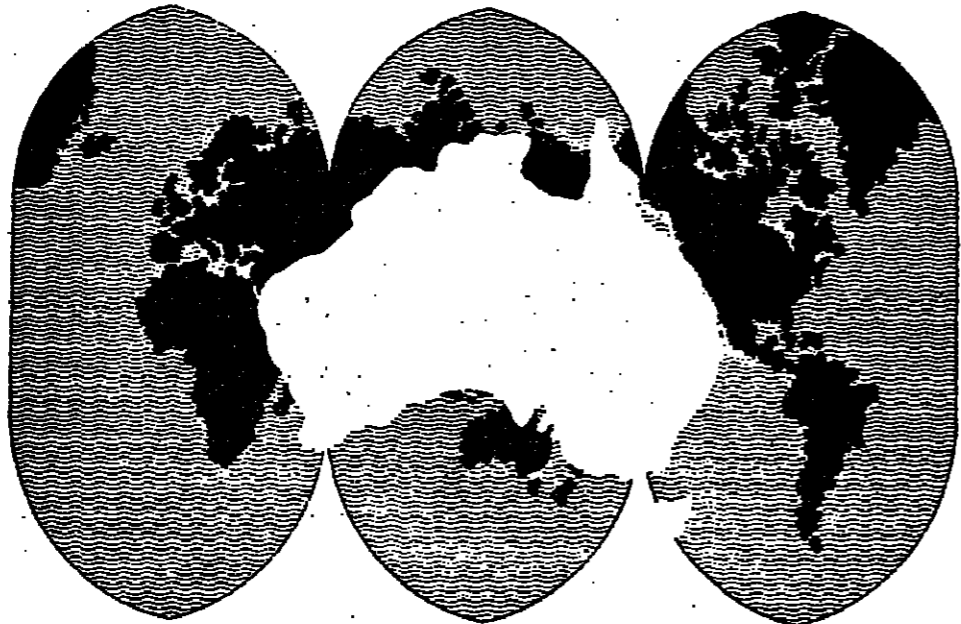
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## AUSTRALIA IX

## Union reform is vital to prosperity

OVER THE years Australian trade unions have acquired a reputation for bloody-mindedness, equal only to that of their British counterparts which, in many respects, they closely resemble.

The frequency with which small, but highly-paid groups of workers have paralysed giant mining operations, cut off electricity supplies or stopped petrol deliveries has both exasperated the average Australian and driven their foreign customers, particularly the Japanese, to impotent rage.

Yet, when the record of the last five years is examined it can be seen that their power has been largely negative. They have been powerless to resist both a sharp increase in unemployment and stagnation in living standards for the bulk of Australian workers. The Liberal/Country Party Coalition Government of Mr. Malcolm Fraser may not have been very consistent in its overall economic policy, but in one area it has been very successful. It has managed to eliminate the sharp wage/productivity overhang it inherited from the 1974 wage explosion.

Compression of living standards has been achieved mainly by deliberately running the economy at less than full capacity and through monetary policies aimed primarily at bringing down the rate of inflation.

## Wage spiral

Now however, with an investment boom in the offing and economic activity picking up across a broad front, the stage is being set for what could become another wage/price spiral which, more than anything else, could undermine the economic prospects for the decade ahead.

To prevent this happening will require political and economic management skills of a high order, and the co-operation of a trade union movement which, on present organisation and past record, is neither able nor willing to guarantee. A large part of the problem lies in the fragmentation of the trade union movement which claims 2.8m members out of a 6.2m labour force, organised into 312 federally recognised unions.

The typical union is organised on craft rather than industrial lines—again, a reflection of the

British pattern, and the important role played by British immigrant unionists in the movement. At the centre lies the Australian Council of Trade Unions (ACTU) which, under the ebullient leadership of Mr. Bob Hawke has acquired a high profile—but done little over the last decade to rationalise or modernise the union structure.

Mr. Hawke, like many other industrial union figures including the metal and shipworkers' union leader, Mr. Laurie Carmichael, believe that the union movement must reorganise itself on an industrial basis with fewer, larger unions backed up by adequate financial resources and a competent research and policy formulating staff.

Mr. Hawke is also on record as advocating acceptance of the U.S.-style labour contract system with fixed term, legally enforceable contracts.

Earlier this month, Mr. Hawke stepped down from the presidency of the ACTU in order to enter federal politics as Labor candidate in the safe Labor constituency of Mills in Victoria. In a future Labor government, Mr. Hawke would become the Minister in charge of what would probably be an enlarged super-ministry with responsibility for labour, productivity and economic planning. Many see him as a rival to the present Labor party minister, Mr. Bill Hayden, although at this stage he is one of the three-man leadership team.

The current Labor party leadership has not forgotten the role which militant unions and deep-frogging pay claims played in compounding the economic problems of the last Labor Government. Labor's close relations with the union movement proved an albatross then and could do so again in the future.

It was in realisation of this fact that Mr. Hayden sought before the elections to establish some form of "social contract" with the unions which, shades of Mr. George Brown, would pledge them to keep wage claims to non-inflationary levels in return for greater consultation over economic policy and measures to improve the living standards of the poorest families and weakest members of society. The initiative was received sceptically by unions and society at large.

Meanwhile, with the depart-

ure of Mr. Hawke the presidency of the ACTU falls to Mr. Cliff Dolan, a professional union apparatchik with little of Hawke's charisma. He is a strong supporter of the official union line which opposes uranium mining. This is a position which Mr. Hawke strongly opposes, fearing that it represents an electoral albatross for the labor party and is, in any case, impossible to enforce.

The uranium mining ban reflects another aspect of Australian trade unionism—its deep suspicion of the multinational corporations, especially the foreign mining corporations which play such a large role in the Australian economy. It is an article of faith for many unionists, as well as Labor politicians and supporters, that Australia has been, is being and probably will continue to be "ripped off" unmercifully by

anonymous corporations based overseas who employ few people, extract allegedly extortionate profits and avoid tax, partly through collusion with Australia's own capitalist class and partly through sheer tax avoidance.

Under these circumstances many unionists feel themselves duty bound to obstruct these corporations where possible and, in any case, extract as much as possible in terms of pay and conditions from them.

It is the belief that the multinationals can afford it, coupled with the idea that lowering the working week will automatically lead to higher overall unemployment, which lies behind the current union campaign for the establishment of the 35-hour week.

Many unions are campaigning to see this principle accepted across the board. Mr. Hawke

and more moderate union leaders have managed to convert this in practice into a selective campaign aimed at industries such as aluminium, which are exceptionally capital-intensive and for whom labour costs are virtually irrelevant.

But the main problem created by this general attitude towards the multinationals and the system is that current Australian wage bargaining, based on bi-annual settlements of minimum wage levels by the Australian Conciliation and Arbitration Commission (ACAC), includes wage comparability among its many criteria for judging wage increases throughout the economy.

In this way, there is a constant risk that high wages extracted by highly skilled workers in a fast-developing sector become transmitted through the system into a generalised wage spiral. Over the last five years,

this has not been the case because the economy has been flat and wage settlements have mostly been lower than the rate of inflation.

The temptation will be to exploit this situation—especially as five years of wage restraint, coupled with a steadily rising direct and indirect tax burden on wage and salary earners, has created a strong pent-up pressure for higher wages and a share in the boom ahead.

A sustained boom would indeed create the conditions for higher living standards. But nothing is more likely to prevent it than massive wage demands at an early stage, increased labour unrest and stoppages at major construction sites involving multi-million dollar investments.

Anthony Robinson



Mr. Robert Hawke, flamboyant former leader of the Australian Council of Trade Unions, who stepped down earlier this month to enter federal politics

## Farm exports set for a record despite drought

BUOYANT WORLD agricultural commodity prices have made the outlook for rural Australia reasonably bright in the past couple of years—and for probably at least another few years.

"Just as well," many Australian farmers would say as they face higher inflation and rising fuel prices at home and the possibility of higher interest rates, later this year, and gradual upward movement of the exchange rate.

Despite a debilitating drought last summer, which is still affecting parts of eastern Australia, the Australian Bureau of Agricultural Economics estimates that Australian agricultural exports will reach record levels, in dollar terms, for the financial year which began on July 1, 1980.

Volume is expected to remain much the same as last year's levels, but higher prices should lead to a rise in export income of \$4500m to \$4950m.

Gross value of total rural production is expected to rise to \$12.2bn but because of rising costs and inflation, net value of production, in real terms, is expected by the bureau to fall by about 11 per cent on 1978-80 levels.

The Bureau says that while

this represents an erosion of the buoyant conditions of the past two years, there have been only five years since the early 1950s when real net value of agricultural production was higher.

The rural sector, although declining from its dominance in the 1950s, contributes 7 per cent of Gross National Product and accounts for around 45 per cent of export income—well ahead of minerals, at 30-35 per cent, and manufacturing at around 20 per cent.

## Cereals

Cereals and grains at A\$2.9bn were the biggest single revenue earner for Australia in 1979-80. Wool and meat vied with coal for second place as export income earners, at around A\$1.7bn each.

However, there is a growing feeling among farmers that this efficient and mainly export-orientated sector is being increasingly disadvantaged by Government policy for the sake of other sectors, including mining and manufacturing.

Mr. Geoff Miller, director of the Bureau of Agricultural Economics says there is no doubt that the rural sector

would grow if tariffs were reduced to ease some of the pressure on inflation, interest rates and the exchange rate.

"Agriculture is the forgotten sector," said Mr. Don Eckersley, president of the National Farmers' Federation, after the 1980-81 budget was brought down last month.

"Government assistance to agriculture continues to be pruned heavily, while assistance to mining and manufacturing is escalating rapidly," he said.

Government assistance to the rural sector this year is mainly for items such as research and promotion of primary products and some disease eradication programmes. Total assistance amounted to A\$167m which was down on last year's allocation of A\$194m and the 1978-79 level of A\$252m.

At the same time, direct assistance to mining and manufacturing has risen to A\$466m or by 177 per cent, in dollar terms, in two years. This does not take into account assistance to manufacturing in the form of tariffs and quotas.

Many farmers feel their vote is taken for granted by the ruling Liberal Party of Prime Minister Malcolm Fraser, him-

self a farmer, and its coalition partner, the National Country Party, which generally draws its voting strength from rural areas.

"The Government thinks farmers will never vote Labor, so they can go on squeezing the industry as much as they like," said one rural lobbyist.

Apart from double digit inflation which affects costs, farmers have been particularly bitter about the Government's policy of raising domestically-produced crude oil prices in line with rises by the Organisation of Petroleum Exporting Countries (OPEC).

On average, fuel represents about ten per cent of farm costs—and more for grain producers. Farmers argue that they are among the least able of all industry to convert to alternative energy sources because of their dependence on motor spirit for machinery. Rising oil prices also raise the cost of some fertiliser.

A number of experiments for farm production of fuel ethanol and methanol are under way, but obviously there is an opportunity cost in using land to grow crops for fuel production which could have grown cash crops.

Increasing economies of scale have helped to some extent to offset other adverse factors such as inflation and fuel price increases. Over the past 20 years there have been a 27 per cent drop in the number of farmers and a steady consolidation of rural properties to just over 170,000.

The farming sector has had increasingly to farm "smarter" if not actually harder, in the past 20 years. The rural sector is particularly angry that while it has been trimming itself into better shape other sectors of the economy are not being asked to make the same sacrifices.

## Protection

Farmers were particularly incensed by the Government's recent decision not to make any significant reduction to the levels of protection applying to manufacturing industry.

Because of the likely unemployment consequences, the Government announced last month that it had rejected recommendations from its tariff advisory body, the Industries Assistance Commission, to abolish quotas and reduce tariffs on textiles, footwear and clothing. The decision was seen

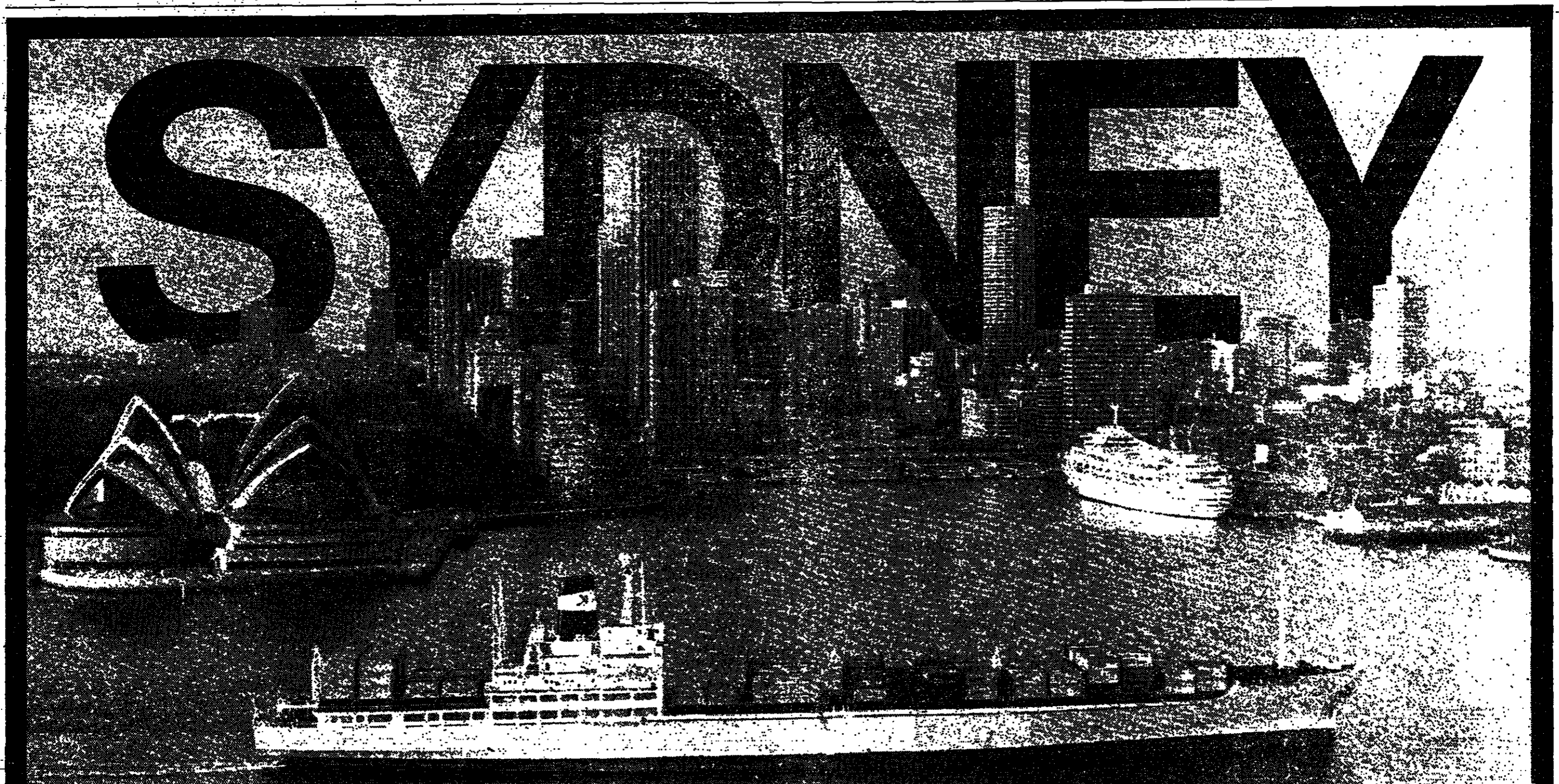
as a crucial indicator of the Government's thinking on the whole question of protection for manufacturing industry.

The implications for farmers are that with the expected inflow of capital for mining development in the 1980s, combined with increased export income as mines start producing, coupled with restrictions on imports, there will be upward pressure on domestic inflation, interest rates and almost certainly the exchange rate—all of which hurt efficient (as well as inefficient) producers within the economy.

Mr. Eckersley said he was "staggered" that the Government, whose central plank of office was responsible economic management, could have capitulated so totally to sectional pleading and dismissed the long-term interests of the economy at large.

The analogy has been drawn between the Government's policy that the country must suffer substantial short-term costs because of longer-term objectives on oil prices and its unwillingness to apply the same logic to the question of protection.

Patricia Newby



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## AUSTRALIA X

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## Share markets go from strength to strength

AUSTRALIAN share markets are booming. Buoyed by strong buying support from overseas investors and fuelled by the obvious potential of the country's huge reserves of natural resources, the share market has made strong gains in 1980.

There have, of course, been some reactions: no market, even a boom market, can rise for ever. Reactions are necessary to consolidate the gains which have been made before the market rises again to a new level.

Normally, the steeper the rise before a reaction, then the steeper the downturn. But the reactions have proven to be minor and did little to check the Australian market's heady progress. The market indices tell the story. The Sydney Stock Exchange all-ordinaries opened the year at 740.0 points and jumped 20 points on the first day of trading.

The all-ordinaries only went through the 700 mark near the end of 1979, after hovering around that level for about six weeks. But once it was breached it surged and, by February 14, had reached a new peak of 947.47—a gain of 200 points in six weeks. At this stage brokers began to talk of breaking through the 1,000 barrier, and, in terms of when rather than if.

It is yet to happen. The inevitable reaction set in, and then interest rates abroad, particularly in the U.S., began a rapid upward spiral. The higher rates were mirrored to a much lesser extent in Australia, but by June 30, the close of the financial year, the all-ordinaries were hovering around the 900 mark. Since then the market has taken off again and is currently looking strong.

On August 26, a new high was recorded, of 978.54. At September 12, the all-ordinaries were at 975.44, and most observers would concede that this time the 1,000 barrier is vulnerable.

### New indices

A new series of indices, jointly introduced by the Stock Exchange at the start of the year, and intended to ultimately replace indices produced by the individual exchanges, illustrates clearly where the boom is concentrated. The national indices were designed to correct the undue influence of market heavyweights, such as BHP and CSR.

Several new categories were introduced, including an all-resources index and oil and gas index. Between January 2 and September 12, the national all-ordinaries index rose 31 per cent, from 515 points to 676.

This is almost exactly in line with the movement in the Sydney all-ordinaries, which had risen 31.7 per cent by September 12. The national all resources scored a gain of 38 per cent from 325 points to 730 points, but the front runner was easily the oil and gas index which jumped 57 per cent from 517 points to 822.

Rising OPEC prices for crude oil has led investors to reappraise existing oil and gas fields, such as the Cooper Basin gas and liquids fields, in South Australia, which supply Adelaide and Sydney with natural gas. The price of shares in Santos, the major Cooper Basin partner, have, for example, risen between A\$5.70 and A\$15.00 this year and currently stand at around A\$13.00.

In the process, the colourful Western Australian businessman Mr. Alan Bond (currently in Newport, Rhode Island attempting once more to win the America's Cup) has made about A\$100m. Mr. Bond bought a 37.5 per cent stake in Santos in mid-1978 for only A\$36m, or A\$1.75 a share from the Bursmah Oil group. Investors have also been attracted to the A\$5bn to A\$6bn North West Shelf liquefied natural gas (LNG) venture, which has now moved into construction, although a final go-ahead is yet to be announced.

The final commitment is contingent upon a bankable letter of intent being signed with Japanese utilities to take the LNG, but this is now expected to take place later this month. Shares in Woodside Petroleum, which has a 50 per cent stake in the project, have risen strongly under heavy buying.

Investors have also displayed a penchant for energy stocks requiring advanced technological processes, such as oil shale and coal-to-oil. Central Pacific Minerals and Southern Pacific Petroleum, two small companies dubbed the "Rundle twins" on the basis of massive oil shale deposits at Rundle in Queensland, have led the way. The tightly held CPM shares have ranged between A\$47 and A\$73 a share and SPP from A\$2.30 to A\$38.50, although plans have now been announced for large scrip issues to increase the amount of stock available in the market.

Development of Rundle to produce a synthetic oil capable of being used by refineries to produce gasoline could cost up to A\$15bn. Yet the world's largest oil major, Exxon of the U.S., has joined with the Rundle twins and indicated that it is prepared to finance such development, if necessary.

Moreover, the Rundle twins



A section of the Stock Exchange in Sydney. Each of the Australian State capital cities has an independent stock exchange but requirements for the listing of securities are common to all exchanges by agreement.

will immediately receive A\$50m as a front-end payment and could receive up to A\$130m, over five years. Australia has abundant resources of oil shale, with many deposits larger than Rundle, in fact the Rundle twins have other deposits larger than Rundle. The endorsement of oil shale as a potential oil substitute by Exxon has boosted the price of a host of other small exploration companies involved in oil shale.

Share prices in Australia have actually been steadily increasing for some years and could probably be described as a bull market since 1978.

High commodity prices and solid profit growth as companies recovered from the wages explosion of 1973 and 1974 provided the initial impetus.

The genesis of the current boom was soundly based. Leading stocks were clearly undervalued, whether measured on the basis of immediate earnings potential, resources in the ground, or the cost of replacing existing plant and assets. Much of the surge in take-over activity, over the past two years, has been due to the fact that it is cheaper to acquire existing companies and their assets than to attempt to build new facilities.

This boom has been different from the heady Poseidon days of 1970. In both instances, it was the potential of Australia's resources which provided the spark, but ten years ago investors plunged more into speculative stocks. This time around the blue chip stocks have been heavily traded, although the emphasis on speculative low-priced stocks is increasing.

According to mining men the exploration effort in Australia is now more soundly based than it was in 1969-70, which was largely a boom in pegging activity, often by interests with

little or no mining knowledge. This time around there is intense activity in the field which, logically, must result in the ultimate revelation of new ore-bodies.

These factors, which help explain the reduced emphasis on spec stocks, this time around. The sharebrokers, mindful of the criticism they received in the wake of 1971 bust, have not been "feeding" the boom by floating off new exploration. There have been flurries, but nowhere near the pace of ten years ago when it was common for several companies to join the lists each week.

Another important factor is that the small investor has been largely unable to participate in this boom. Ten years ago, everybody from the office boys upwards were punting on the share market, often with extended credit terms. Local investors are again clamouring to join in the fun, but they are finding the sharebroking fraternity much less accommodating than last time around.

The brokers are stretched to the limit, keeping up with the demand from existing clients and processing their orders. For many brokers, the bad old days of 1970—the inability to keep up with the paperwork, the bad debts and so on—are still vivid memories.

### Client lists

Many brokers have responded by closing their client lists and "investors" trying to re-enter the market, after an absence of several years, are finding it difficult to find a broker to accept their orders. Others are insisting on minimum buying orders of up to A\$1,000.

The brokers are aware that they will come under criticism. But they also remember the mauling they suffered after the collapse of the Poseidon boom and for the indiscriminate manner in which many brokers

courted business. They are determined that whatever is caught when this boom eventually collapses it will not be the brokers.

It is, therefore, the overseas investors who dominate the market, and the brokers are doing so handsomely that many do not mind the relatively small influence of local investors.

In the 12 months to June, the turnover in equities alone soared to A\$5bn in Sydney and A\$4.3bn in Melbourne. This would have generated brokerage of more than A\$180m on the two exchanges. There are reports that some brokers made a profit of more than A\$1m in 1979-80, and stories of huge bonuses for staff.

### Wide interests

Brokers report that buying support from overseas is wide spread, coming from the U.K., Europe, Hong Kong, and a relatively new development from American investors. Foreign investors must place their money somewhere. And Australia, politically stable, energy and resource-rich and remote from the world's tension spots, must appear more attractive than most alternative markets. U.S. funds, acutely aware of their country's energy needs, have re-discovered Australia and are starting to allocate sums, for investment, "down under," which are small by their terms but substantially Australian standards.

Another factor which has prompted foreign buying of Australian securities, including Government and semi-Government stocks, is a widespread belief that the Australian dollar is undervalued and must be adjusted upwards, probably after the Federal Election. The influence of foreign investors can be gauged from the fact that in the 1979 December quarter, portfolio investment capital inflow reached a record A\$145m, only to be dwarfed by an inflow for the March 1980 quarter of A\$300m.

Interestingly, the latest surge in prices has been occurring despite a renewed lift in domestic interest rates and indications that they could go even higher. The Australian Government is continuing to keep a tight rein on the economy in an attempt to restrain the inflation rate and there is a distinct possibility of a credit squeeze in the first half of 1981.

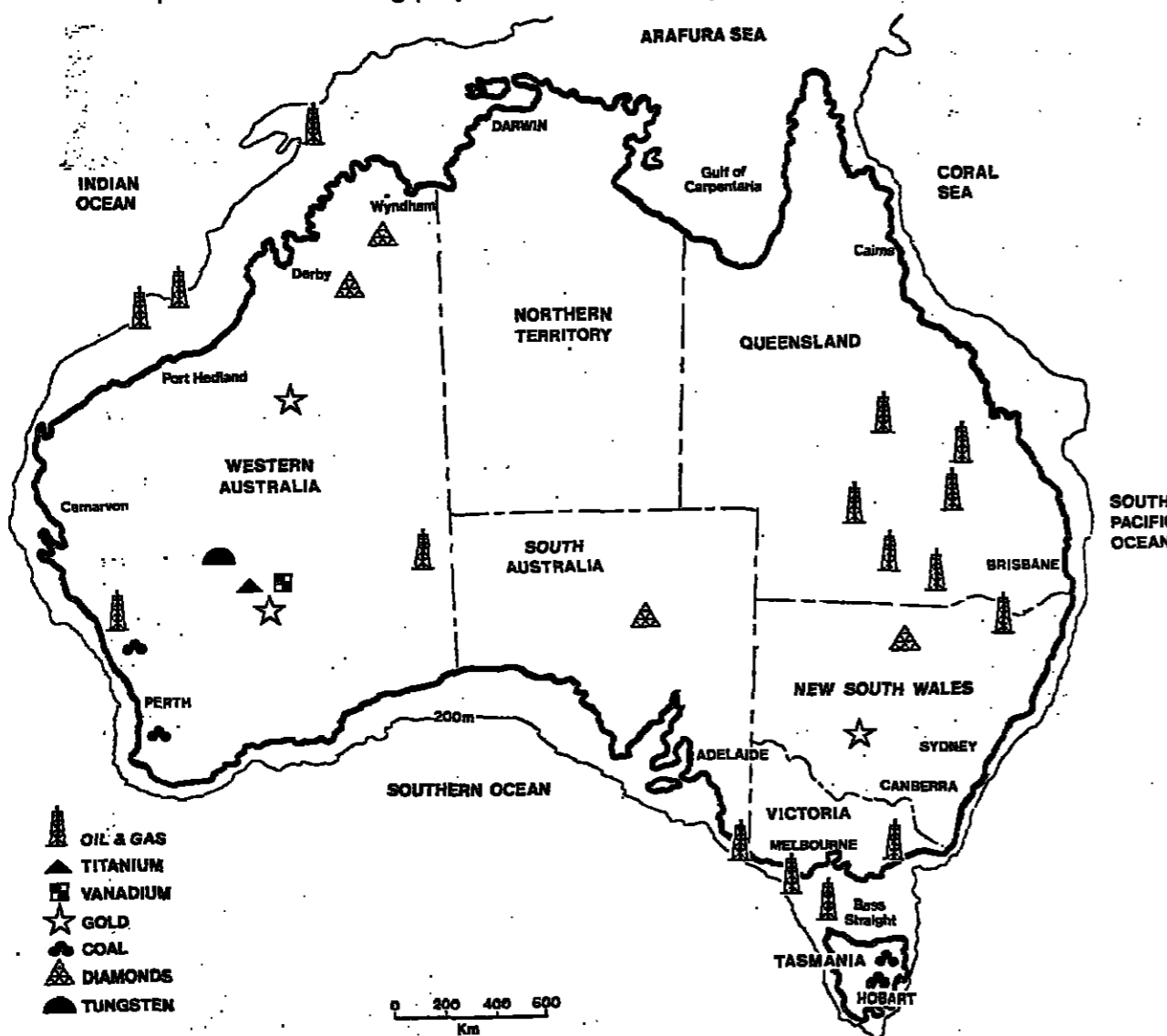
The outlook for 1980-81 is for only moderate growth of the economy. But it is the longer-term prospects in which much of the overseas buying is based, and on this count Australia stacks up well.

The current boom will be sustained as long as foreign investors are prepared to pump funds into the country. Despite the potential volatility on which the boom is based few are prepared to say when it will end. A victory for Labour, at the national polls on October 13 would probably seriously dent the confidence of overseas investors, but most sharebrokers believe that if the present Liberal-National Country Party Coalition Government is returned, there will be yet another forward surge in prices.

James Forth

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## AUSTRALIA XI

# A significant increase in defence spending

ACCUSATIONS of paranoia, scare-mongering and international grandstanding were levelled at the Prime Minister, Mr. Malcolm Fraser, over his reaction, earlier this year, to the Soviet Union's invasion of Afghanistan.

Mr. Fraser, a former Army and Defence Minister, has long held hawkish views on Soviet expansionism. The Afghanistan invasion gave him an opportunity to air his views abroad during a quickly arranged visit to the U.S., Britain, France and West Germany, and at home, where he fought a bitter campaign to persuade Australian allies to boycott the Moscow Olympic Games.

He lost the Olympic boycott battle and, in recent months, trade with the Soviet Union has returned to near-normality after initial sanctions on grain and products such as rutile, which could be used in armaments.

Leaving aside the rhetoric from both sides, however, there are signs of a growing maturity about defence within the Australian community.

There is general consensus in Parliament and among the public at large that the days when Australia's defence policy rested solely on support for a powerful ally, are over. During this century that policy has taken Australia into three wars as Britain's ally and, more recently, the Korean and Vietnam

Wars as a U.S. ally. Australian defence policy still relies on support for the United States as the bastion of the western world's freedom. But there is also bipartisan agreement that Australia must have its own independent national capacity to defend its own interests in the region if necessary. And with this consensus has come the acceptance that such capability costs money.

## Commitment

Both Mr. Fraser's ruling Liberal-National Country Party coalition and the Labor Opposition are committed to increased defence expenditure over the next five years to bring it up to 3 per cent of Gross National Product by the 1984-85 financial year.

This year's budget, brought down on August 19 by Treasurer John Howard, boosted defence expenditure significantly in an otherwise fiscally stringent environment. For 1980-81, the defence budget is A\$3.45bn, a 17.7 per cent rise over the previous year, in money terms, and a rise of 7 per cent in real terms. Defence expenditure now represents 2.8 per cent of Australia's GNP.

In percentage terms, this is still lower than most of the countries of the region. Taiwan, for example, devotes about 7.7 per cent of GNP to defence; Pakistan, 5.7 per cent; South Korea, 5.6 per cent; Singapore,



The Government has refused a request that Australian troops in northern Australia become part of an American "ready-reaction force." Above: representatives of various Australian regiments march past a saluting base during a ceremonial parade.

5.5 per cent; Malaysia, 4.7 per cent; Thailand, 3.7 per cent; the Philippines and Indonesia, 3.4 per cent; and India, 3.2 per cent. The only countries devoting a lower proportion of GNP to defence are Japan and New Zealand at 1.9 per cent.

However, because of its high GNP, Australia spends more in cash terms than every country except Japan, South Korea and India.

This year's defence allocation in Australia means a 2 per cent real increase in expenditure allocated to manpower, which represents 49 per cent of total defence spending.

Running costs, which represent about 28 per cent of defence expenditure, will be allocated an increase of 6 per cent in real terms, capital equipment expenditure will be lifted by 19 per cent, in real terms, and expenditure on capital facilities, which include bases and ports, will be boosted by 34 per cent in real terms.

Growth in defence expenditure in real terms is expected to continue at around 7 per cent per annum over the next five years.

Announcing the increased expenditure to parliament last month, Mr. Jim Killen, the Defence Minister, said relations between the superpowers continued to be dominated by tensions and apprehensions and he pointed to continued Soviet occupation of Afghanistan and Soviet-backed Vietnamese aggression in Indo-China.

Mr. Killen said that against this background, Australia's national security could best be served by acting in concert with allies and by building the country's own independent capability.

"The central burden of deterrence of the Soviet Union must be borne by the United States," Mr. Killen said. Its willingness and ability to carry the heavy load of defence expenditure and to lead its friends and allies in an international deterrent effort, were critical to the independence and security of nations, he said.

"This is the reason why, wherever we can, we should look favourably upon U.S. requests for assistance in projecting its deterrent strength into the Indian Ocean."

## U.S. interest

Australia has already offered the U.S. port facilities for nuclear submarines and other vessels at Cockburn Sound, near Perth, in Western Australia. An evaluation team from the U.S. visited the existing naval base at Cockburn Sound, earlier this year, to examine the cost and need for upgrading the base if the offer is accepted. A decision is not expected until after the American presidential election.

A U.S. evaluation team has also inspected Australian military airfields and consideration is being given to the possibility of using Australian fields for U.S. B-52 bombers.

Australia's readiness to offer its soil for American military purposes has drawn some criticism within Australia, where there is still deep-seated suspicion of American foreign and defence policy, following the Vietnam War debacle, in which Australian conscripts participated.

The Government refused a request, earlier this year, that Australian troops in Northern Australia become part of an American ready-reaction force. In the words of one defence man, "the suggestion went down like a lead balloon."

As part of the growing awareness that Australia must have some capability to defend its own interests in the region, the Army, Navy and Air Force were brought under the Department of Defence in 1975 to co-ordinate defence policy. The idea is that the armed forces should be capable, logistically and tactically, of operating together in Australia's defence, rather than as individual units under the command of a

superior ally, although of course, in the event of war this might still be necessary.

Australia's small population (14m) and relatively few service personnel (less than 80,000 compared with, say, Indonesia's 239,000), makes defence of such a large country by manpower virtually impossible. Defence planning tends to concentrate on ways of beating off an intending invader before it reaches the shores.

Despite Australia's apparent vulnerability—a huge, sparsely-populated country, a long way from its major ally—long sea routes to the continent offer protection on which Australia hopes to capitalise by the use of long-range tactical fighters and submarines, which have been described by one defence planner as "a hell of a deterrent."

The Government is expected to announce within the month the successful tender for replacement of Australia's 89 Mirage jet fighters.

## Major order

The Government will purchase 75 General Dynamics F-16 or McDonnell Douglas F-18 tactical fighters at a cost of more than A\$2bn—the largest defence contract ever placed by Australia.

A recent decision has been made to replace HMAS Melbourne with a purpose-built "pocket" aircraft-carrier. The design will be chosen within the next 12 months, from Italian, Spanish and U.S. designs which have been under Australian Defence Department scrutiny for some time.

A decision has already been made to buy a fourth FFG frigate from the United States at a cost of A\$280m.

The country's six Oberon Class submarines, three guided missile destroyers and River Class destroyer escorts are being substantially modernised. Follow-on destroyers to replace the River Class destroyers will eventually be built at Williams-town, near Melbourne, and the dockyard is undergoing extensive modernisation to prepare it for this and other shipbuilding in the 1980s.

The first of 15 Fremantle Class patrol boats, HMAS Fremantle, which was built in Britain, arrived about six weeks ago.

Other projects, some of which are part of a five-year rolling programme, include upgrading of facilities at the Indian Ocean naval base of Cockburn Sound in Western Australia; modernisation of the fleet base and dockyard at Garden Island in New South Wales; construction of a new military airfield, 30 kms south of Derby in north-western Australia; purchase of 18 light helicopters for training and surveillance; helicopters for the four U.S.-made FFG frigates; placement of orders for the first five of 10 patrol craft to be built in Australia; completion of the replenishment ship HMAS Success and placement of an order for a second replenishment ship.

Other projects include the construction in Australia of the amphibious heavy lift ship, HMAS Tobruk, which will be able to carry combinations of troops, tanks and helicopters; replacement of the Army's obsolete 5.5 inch guns with U.S.-made howitzers; and replacement of army trucks with 2,200 four and eight tonne vehicles.

An important emphasis of defence procurement is on transfer of technology to Australia, where possible. In general, the Australian Government tries to arrange at least 30 per cent of the value of substantial overseas capital goods contracts, whether military or civilian, for Australian manufacturers.

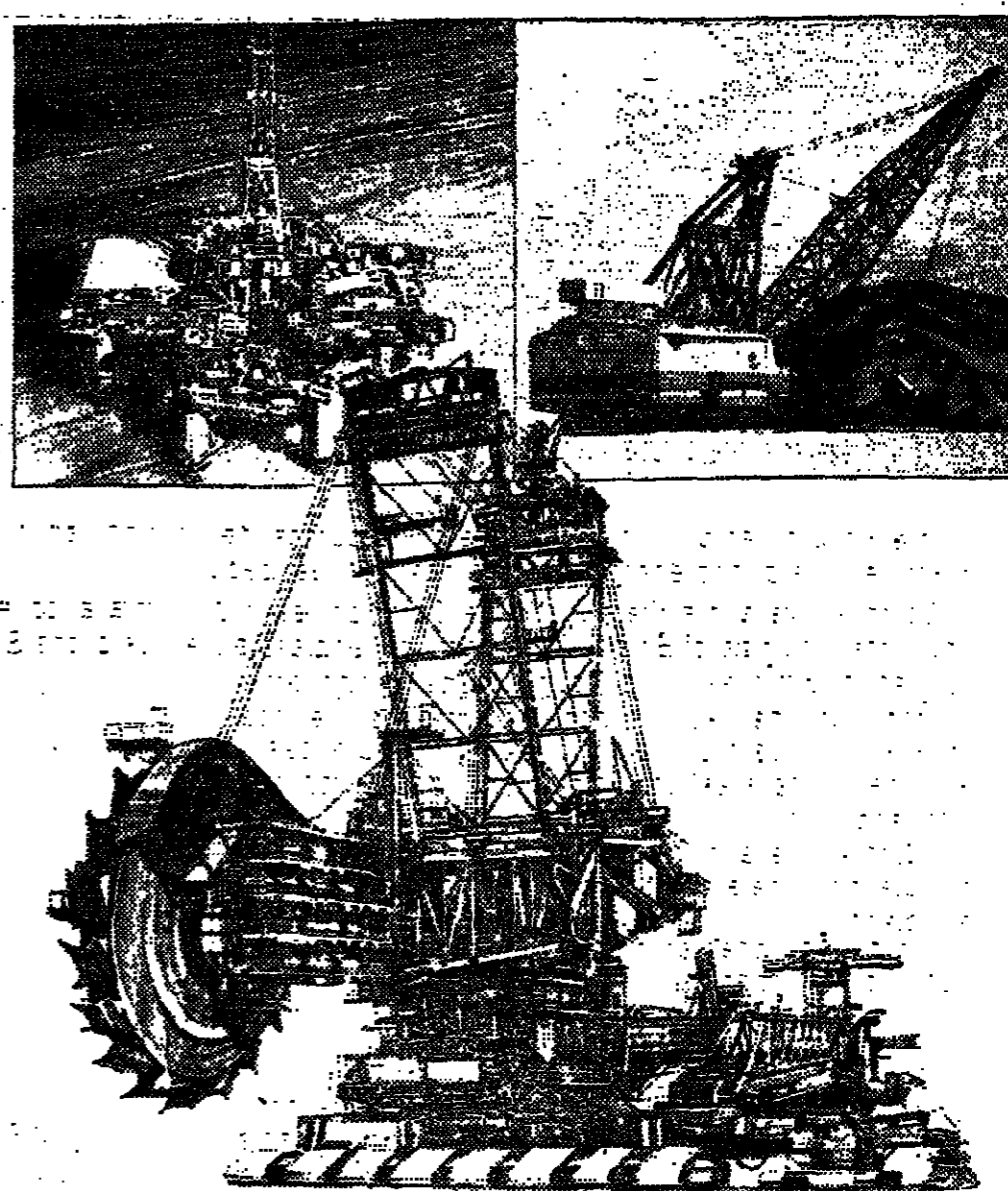
Substantial off-set deals have already been agreed, in principle, with McDonnell Douglas and General Dynamics for whichever wins the tactical fighter replacement deal.

This year, there is expected to be a growth in regular armed forces personnel of 1,580 lifting the overall target strength for June 30, 1981, to 72,581. This is in addition to a campaign to lift the Army Reserves from the current 22,000 to 30,000 by next year.

Defence equipment suppliers throughout the world have not been slow to cash in on Australia's changed perception of its defence capability. Advertisements for highly sophisticated aircraft and weapons are to be found in most general-interest magazines on Australian newsstands.

And for those who still believe in soldiers there are the nightly television advertisements for the Army Reserves. The advertisements have just the right mixture of sepia-washed nostalgia about past wars which may appeal to dad—and action shots of today's mechanised army to appeal, the army hopes, to his son.

Patricia Newby



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## AUSTRALIA XII

# Keeping a wary eye on Russia as new world role emerges

FEW COUNTRIES have undergone such a profound re-thinking of their position in the world in recent years as Australia.

The "tyranny of distance," which once condemned Australia to colonial isolation, has steadily lost much of its force as this vast and underpopulated island continent, endowed with rich energy, mineral and farming resources, has shed its former Eurocentricity and come to terms with its geo-political role in the Pacific.

But the world's conception of Australia has also changed and seems likely to do so even more in the 1980s as the promise of a new minerals boom reinforces Australia's importance as a major supplier of minerals, energy and foodstuffs.

Looking forward to the next century, Australian strategic thinking anticipates the time when the countries of the so-called "Pacific rim"—a vast area embracing South-East Asia, Korea, Japan and China, the West coast of America and the Pacific islands, including Australia and New Zealand in between—could well represent the most important economic and strategic zone in the world.

Before arriving there, however, Australian strategic and defence planners look forward somewhat nervously to a decade of increasing global tension with considerable potential for great power conflict both in Asia and the Indian and Pacific oceans.

The Foreign Minister, Mr. Andrew Peacock, summed up this assessment in a recent speech at Devonport in Tasmania when he said: "I believe the 1980s will be a different decade, one in which the world will breathe a harsher air and in which the potential for conflict will be very considerable."

It is this belief which has made Australia one of the most outspoken critics of Soviet expansionism, in general, and expansionism in Asia, in particular. Australia was and remains a harsh critic of Soviet backing for Vietnam and the latter's invasion of Kampuchea.

The invasion of Kampuchea, seen as a direct consequence of Sino-Soviet rivalry in the region, stopped in its tracks earlier Australian efforts, in line with other countries in the region, to try through aid and encouragement to wean Vietnam away from ever closer dependence on the Soviet Union.

In this, the Prime Minister, Mr. Fraser and the Cabinet overruled the Foreign Ministry,

which still argues in favour of trying to maintain links with and influence on Vietnam. It also doubts the wisdom of continuing to recognise the Pol Pot regime in Kampuchea.

The Foreign Minister has made no secret of his desire to follow the UK pattern and withdraw recognition from both the Heng Samrin and Pol Pot regimes. But the Prime Minister has taken the line that such a policy would undermine the policy of the ASEAN countries and a majority in the non-aligned movement which, despite their abhorrence of the crimes of the Pol Pot regime, still believes that to withdraw recognition would be tantamount to condoning the invasion.

### Olympic boycott

Having watched with growing trepidation the encroachment of Soviet influence in south east Asia, Australia reacted vehemently to the subsequent Soviet invasion of Afghanistan. Mr. Fraser called on the Olympic team to boycott the Moscow Olympics, angrily condemned the team when it ignored the Government's policy and announced a series of restrictions on trade, commercial and cultural exchanges.

In practice, critics pointed out, this amounted to a large roar, but a rather small mouse. Australia has stopped Soviet cruise ships calling at Australian ports, refused landing rights to Aeroflot, cut down on cultural exchanges and scientific co-operation, but continued to sell nearly 4m tons of grain, large quantities of wool and other produce and, with an election looming, prepared to purchase a large floating dock from the Soviet Union which will be largely used by Soviet fishing vessels in the south Pacific.

But the most important consequence of the invasion of Afghanistan has been to facilitate a major re-equipment and expansion of the Australian armed forces. It has also reinforced Australia's commitment to play a more substantial role in the Pacific and Indian Ocean areas.

In addition to re-equipping the air force with 75 new U.S. built fighters, boosting the navy and creating its own "quick reaction force," the Government has also offered naval facilities at Cockburn Sound south of Perth to the U.S. and indicated its general desire to see a more powerful U.S. presence in the Indian and Pacific oceans.

The Australian willingness to make a greater contribution within the context of the 1952 ANZUS pact has been matched on the diplomatic level by moves to further improve relations with China—first recognised by the Whitlam government in 1972—and expressions of support for Thailand and the ASEAN bloc, generally.

The Soviet response to all this activity has, in the words of one diplomat, been "more sorrow than anger" while the Labor opposition suspects that harking on "the red peril" is at least partly aimed at distracting the electorate from higher taxes and inflation. In broad terms, however, the need for higher defence spending and greater vigilance appears to be accepted by the country at large.

Closer to home, meanwhile, diplomats have closely monitored events in Vanuatu (formerly the New Hebrides) and admit to be concerned about the prospect of a similar but much more complicated situation arising in future in New Caledonia.

The presence of a much more numerous white Colon population, reinforced by large numbers of hard line former Algerian pieds noirs, promises to create a delicate political situation not only for France but also for Australia. Diplomats suspect that Australia could well be called upon to give support to the native Melanesian population in the event of a contested independence campaign.

Australia has a special interest in the Pacific islands to its North and East. Virtually half of its \$A54m foreign aid budget this year, for example, is earmarked to its former dependency of Papua-New Guinea.

Southern and South-East Asia receive most of the remaining Australian aid with Bangladesh at \$31m receiving the largest single aid contribution.

In recent years, however, Australian academics and politicians have made a considerable effort to define their policy towards the Third World, in general, which goes far beyond the rather paternalistic aid hand out syndrome.

Australia, of course, with its massive dependence on mineral and other commodity and energy exports is, in many ways, a special case among developed countries. Its own experience of the vagaries of international markets and the tactics of multi-national com-

panies has given it an insight into the problems faced by the poorer and more populous commodity suppliers in the Third World. It has given valuable support to their efforts to achieve both stable and higher prices through the Common Fund and other mechanisms and takes a close interest in north-south issues.

Australia has also uprated the attention it pays to Commonwealth affairs. The Prime Minister took a personal interest in Zimbabwe's independence and is credited with having played a role in changing the mind of Mrs. Thatcher at the Lusaka summit.

### Trade relations

Inevitably, however, trading relations play the biggest role in Australia's foreign affairs and this inevitably concentrates attention on relations with Japan, Europe, the U.S., the ASEAN countries and New Zealand.

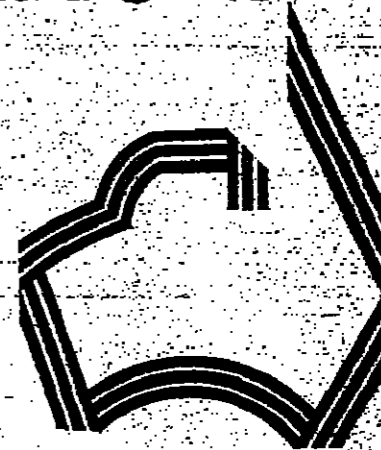
The country is bracing itself for a massive new round of foreign investment to develop mainly energy intensive minerals production like aluminium and energy resources including coal, oil, gas and uranium. Western Europe's growing realisation of the economic importance of Australia as a market, investment opportunity and supplier has injected a new urgency into EEC-Australian relations and a new belligerency in Australian demands for greater success for its agricultural products.

The Community's agricultural commissioner, Mr. Finn Olav Gundelach, was left in no doubt of Australia's feelings on this subject during a visit to Canberra, in July.

EEC sales to Australia have climbed steadily towards \$A54bn annually in recent years, and Australia has threatened that future contracts—including some major ones like the breakthrough sale of four European Airbus jets—could well be placed elsewhere if Australia's complaints were not heeded.

The main motive force behind these demands come from what the Labour Opposition describes as the "cabinet cockies"—an endearing term for the powerful landed interests in the national-country party who form a key element in the ruling coalition Government. They are a force which the EEC ignores at its peril—a fact it now shows signs of having realised. A.R.

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## Debate over foreign ownership

FOREIGN INVESTMENT in Australia is set to become a hot issue. The Australian Labor Party has nominated increasing foreign ownership and control of Australian industries and natural resources as a major issue in next month's national elections.

It has worked in the past—the degree of foreign ownership was an important issue in Labor's coming to power after the 1972 elections, after 23 years in the wilderness, and no doubt influenced its strongly nationalist stance during its term of office. It also frightened off foreign investors and the present Liberal-National Country Party Coalition Government has worked hard to restore their confidence.

In 1972, Labor capitalised on a rising sense of economic nationalism and it is apparently

convinced that the tide is again turning in this direction.

"We must establish the means of developing our nation and our rich resources without losing ownership and control of them," the Labor Opposition Leader, Mr. William Hayden said, recently.

He was critical of the fact that, in its four years of operation, the Foreign Investment Review Board (FIRB) had considered more than 4,400 proposals by foreign investors and rejected only 30. More than 3,400 of the proposals were takeovers, involving a change from Australian control to foreign control.

He said a Labor Government would expand the functions of FIRB (which is actually an advisory body, it is the Federal Treasurer who decides whether or not to approve or reject

foreign investment applications) to monitor and report publicly on the activities of multinational corporations in Australia.

Mr. Hayden also claimed that total foreign investment in Australia had jumped from \$A6.5bn 10 years ago to \$A15bn today, and accelerating at the rate of \$A2bn a year.

Certainly, the foreign investment interest in Australia is accelerating. In the 12 months to June, the FIRB approved takeovers and projects totalling \$A5.8bn compared with \$A3.5bn (which includes a substantial Australian content), in the previous year.

Moreover, the applications are rising and the approval rate in the June quarter was 57 per cent higher than the average quarterly figure of 1978-79. The Labor Party claims that foreign controlled companies account for 59 per cent of value added in the mining industry and that more than one-third of all the profits of companies operating in Australia are earned by foreign owned companies.

The actual picture is difficult to establish, partly because the Australian Bureau of Statistics stopped compiling information on foreign investment in 1978 because the Government did not consider it an important priority.

### Oil majors

The Labor Party has been particularly critical of the fact that the oil majors have been able to tie up large amounts of the country's energy reserves, particularly coal, but also uranium and oil shale. Moreover, the surge in OPEC oil prices have enabled the oil majors to pay huge entry prices which cannot be commercially justified in today's terms, and which the larger Australian companies cannot even go near matching.

Foreign investors will obviously monitor the situation carefully. Australia is poised to embark on a massive development boom in the 1980s, based on its abundant energy resources, and it will require substantial amounts of foreign capital.

The estimates of the funds needed for the projects already on the drawing boards, ranges from \$A29bn to \$A50bn. If Labor regained government, and this is regarded as unlikely, it would undoubtedly be a severe blow to the confidence of potential foreign investors. Even so, many observers believe that the

present Fraser LNCP Government is adopting a harder line on foreign investment than is generally recognised.

Since taking office in December, 1975, the Fraser Government has softened the ground rules on foreign ownership. Instead of insisting upon a maximum foreign equity of 50 per cent, it set this as a desirable target, but made it clear that development would not be prevented if it could be demonstrated that genuine attempts had been made, and were unsuccessful, in attracting local equity.

In such circumstances, the Government would allow 100 per cent foreign ownership, if necessary. Uranium is an exception, but even here, Labor's insistence on 100 per cent Australian ownership was watered initially to 75 per cent and subsequently to 50 per cent.

But observers have noted a hardening attitude of FIRB and the Government to foreign equity levels, both in new projects and also in company takeovers.

A number of takeovers have been either rejected in recent months or the bidder has been forced to modify its proposal to accept a lesser equity percentage.

In the case of new ventures, two mining projects—Oak Creek Gold and Blair Athol Steaming Coal, both in Queensland—are regarded as important test cases. In both instances, the Government is being pressed to allow development to proceed, although the local equity is below the local equity guideline for new mining projects of 50 per cent.

In the case of Oak Creek, the major partner committed itself before it had contracts, a step which competitors regarded as foolhardy, but it now has the contracts and only Government approval stands in the way of development. In the case of Blair Athol, the major partner, CRA wants to bring in Japan's EPDC to ensure contracts to justify development. The government was widely tipped to wilt under such pressures, but it has already held firm for six months and, so far, has resisted the temptation to make electoral capital by granting approval.

It could be that even if the Fraser Government is returned to office, foreign investors can expect a tougher approach in the future.

James Forth



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## SPANISH TEXTILES

## Closing the book on the Intelhorce saga

BY ROBERT GRAHAM IN MADRID

THE STATE takeover of a group of Spanish textiles companies has closed the book on one of the more controversial industrial stories of the Franco era. The Intelhorce group has been bought for a nominal Pta 1 by the state. Property and investment department which operates under the Ministry of Finance, separate from the state holding company, INI.

The saga of Intelhorce began in 1957 when INI, in order to promote investment in southern Spain, decided to establish a textile plant at Malaga. Intelhorce, with a labour force of 3,500, became the region's largest employer. In December 1972 the then head of INI, Sr. Claudio Rada, agreed to give the company into the private sector. The purchaser was the Castell group, a Catalan enterprise with important textile interests which controlled

Banco de Madrid and an industrial bank, Cadesbank. The reason for the sale was never clear. The company had accumulated losses of Pta 831m (\$4.7m) and the sale price was Pta 842m (\$11.7m), equivalent to 55 per cent of the nominal value of the shares.

Only in the first year under private ownership did the company show a profit. By 1979 Intelhorce had accumulated losses of Pta 11.2bn. Almost 60 per cent of these losses occurred in the last two years. This is the biggest single private sector loss outside the steel industry.

Losses were the result of a mixture of factors. Intelhorce became a victim of the changed and more liberal climate in the wake of Franco's death. Under Franco industrial peace was bought with high wages, which manufacturers could offset against "privileged" credits

and through external tariffs and internal protection. In 1977 the credit system was partially liberalised and privileged credit for industrial concerns like Intelhorce became hard to obtain.

Suddenly the company's financial costs soared but there was no check to the wages bill as wages to rise sharply. At the same time recession hit the domestic economy and foreign sales became tougher, carried out on reduced margins. In the case of Intelhorce wages were some 20 per cent above the industry average.

The situation was complicated by two further matters. Banco de Madrid and its affiliate, Cadesbank, stepped in to provide substantial credits. But these banks were also involved simultaneously in propping up six other ailing textile plants near Barcelona based on Intel-

horce's subsidiary, Gossypium. As early as December 1977 the Castell group approached the Government to buy back the company, negotiations dragged on, with the Government reluctant to assume responsibility for something willingly bought by the private sector.

Matters came to a head this spring with a large scale salvage operation to aid the two banks which were the effective owners of Intelhorce and Gossypium. The country's leading bank, Banesto, took over Banco de Madrid, in which it had a 17 per cent stake, and Cadesbank is being reformed with the aid of the banking system's deposit guarantee fund. Banco de Madrid and Cadesbank agreed to write off Pta 7.75bn (\$10m) in loans to Intelhorce, the elimination of all reserves and a capital write down from

Pta 3bn to Pta 750m. They also agreed to write off Pta 4.75bn in loans to Gossypium, which had accumulated losses of Pta 3bn.

The Government eventually agreed to step in to preserve jobs—Malaga has one of the highest unemployment rates in Spain. But drastic surgery is being applied, with union agreement, that includes the freezing of the wage bill for the next two years at 1979 levels with individual salaries held to a maximum 4 per cent increase, and the right to lay off workers.

Against this Pta 3.9bn of Intelhorce's outstanding debt has been restructured on a 10-year roll over at zero interest for the first two years, and capital is being raised by Pta 1.5bn.

The most significant development, however, is the way the Government has steered these textile companies away from INI to the state investment and Property Department. The precedent of INI buying back a company that it sold off eight years previously would have been politically embarrassing. The solution is a compromise. The department manages direct government holdings in 36 companies which include the three monopolies of tobacco, telephones and petroleum distribution. Unlike the INI companies, nearly all are profit making and the department itself operates closer to market principles.

Whether this can be done with the Castell group remains to be seen. But as a result of this takeover, and an earlier seizure of another textile company, Hylasa, the department now controls about 9 per cent of the sector's production.

## CIGA hotels takeover completed

BY RUPERT CORNWELL IN ROME

INTERPROGRAMME, THE Swiss-Italian property fund group, has completed its purchase of a controlling stake in the luxury hotels group, Ciga, from the Rome-based property group, Societa Generale Immobiliare.

Under the deal, which was signed at the weekend, the Interprogramme concern of Sir. D. Bagnasco will pay 1.45bn (\$53m) in cash for the 8.8m Ciga shares owned by SGI which constitute 41.4 per cent of the capital of the hotel chain. The injection of liquidity will be particularly useful for SGI, both as a means of reducing its current short-term debt exposure of 1.75bn, and in pushing through the rationalisation

programme now under way. Meanwhile, CIGA, whose assets include hotels such as the Gritti Palace and the Danieli in Venice, has reported a 29 per cent jump in first half 1980 revenue despite a slight drop in the number of guests at its chain.

For its part, Interprogramme has announced that it has withdrawn its original offer, believed to have been worth 1.26bn, for the remnants of the property empire of the Calitroni brothers, now facing charges of fraudulent bankruptcy.

● Olivetti, the Ivrea-based office equipment and electronics concern, yesterday announced that it had acquired a significant shareholding in the U.S. com-

pany Docutel, a market leader in automatic bank tellers.

The Italian company has acquired a 12 per cent stake in Docutel. Financial terms were not disclosed.

The agreement is also accompanied by an arrangement whereby Olivetti will have exclusive sales rights for Docutel automatic tellers outside the U.S. and Canada, while in North America the Dallas-based company will have similar rights for Olivetti banking system products.

● Olivetti added last night that the two companies also plan to pool forces on research in the bank teller field, to increase the harmonisation of their respective systems.

## Losinger sees higher turnover

By John Wicks in Zurich

TURNOVER of the Losinger concern, Switzerland's biggest construction company, is expected to reach SwFr 600m (\$665.8m) this year, compared with SwFr 558.2m in 1979.

In a letter to shareholders, Mr. Vinzenz Losinger, the chairman, said that operating cash flow will have to show a further "marked improvement" for profits to reach a satisfactory level. Losinger AG, the parent company, has not paid a dividend since 1976.

While conditions on the Swiss construction market remain mixed, Losinger views the development of its important foreign operations optimistically.

## Venture capital offshoot planned by Dutch bank

BY CHARLES BATCHELOR IN AMSTERDAM

A NEW company is to be set up by Nederlandsche Middenstandsbank (NMB) to provide venture capital to industry following the easing of regulations governing equity investments by banks.

NMB, which specialises in financing small and medium-sized businesses, has announced that it is to form Nederlandsche Middenstandsbank Participatie Mij (NMPM) with Fl 20m (\$10m) of issued capital, of which half has been paid up. The participation company may raise its capital to Fl 100m later.

The bank, which is the fourth largest in the Netherlands, is the first to respond to the easing of the central bank's rules on non-banking participations.

AGA  
AGA Aktiebolag

U.S. \$25,000,000 7 1/2% Convertible Bonds due 15th March, 1989

## NOTICE TO BONDHOLDERS

Notice is hereby given to the holders of the above-mentioned Bonds that Pharos Aktiebolag ("Pharos"), at the present time a wholly-owned subsidiary of AGA Aktiebolag ("AGA"), will offer new shares in Pharos for subscription by shareholders of AGA on record as per the close of business, Stockholm time, on October 14, 1980, on the basis of one new Pharos share for each ten AGA shares held, at a subscription price of 50 Swedish Kronor per share of Pharos, and during the period October 29, 1980 to December 5, 1980, inclusive.

As a consequence, an ex Period in accordance with Condition 5. (b) 5 (A) of the Bonds will commence as per the close of business, Stockholm time, on October 14, 1980, and continue until the close of business on December 9, 1980, after which date a Notice of Adjustment will be published to inform the holders of the above-mentioned Bonds of the adjustment, if any, to the conversion price in respect of the Bonds to take effect retroactively from the beginning of the ex Period.

Bonds in respect of which the conversion date falls during the ex Period will be dealt with in accordance with Condition 5. (b) 8 of the Bonds until the date when the retroactive adjustment, if any, to the conversion price takes effect.

Lidingö, September 23, 1980

AGA AKTIEBOLAG

U.S. \$20,000,000

The Industrial Bank of Japan, Limited  
London

IBJ

Floating Rate London-Dollar Negotiable  
Certificates of Deposit due 20th September, 1984.

In accordance with the provisions of the Certificates, notice is hereby given that for the six month Interest Period from 22nd September, 1980 to 23rd March, 1981 the Certificates will carry an Interest Rate of 12 1/4% per annum. The relevant Interest Payment Date will be 23rd March, 1981.

Credit Suisse First Boston Limited  
Agent Bank

## Enpetrol seeks \$50m credit

By Peter Montagna

SPAIN'S OIL concern, Enpetrol, is seeking to raise a \$50m Euro-credit for 12 years at a margin of 3 per cent above interbank rate. Lloyds Bank International is understood to be agent, although the borrower itself is taking an unusually active role in the syndication process.

As with the recent \$59m private placement arranged by Chase Manhattan for the telephone company, Cie Telefonica, the borrower has been able to impose a fine margin and long maturity, because of lucrative collateral business it offers to the banks.

The Telefonica credit also bore a 3 per cent margin, although the maturity was 10 years.

The terms do, however, underline the popularity of Spanish borrowers with international banks at present. Among expected future deals is a \$150m borrowing by the government agency, Instituto de Credito Oficial, but bankers say there are no concrete signs so far of a jumbo Eurocredit for the Kingdom of Spain itself.

Separately, Cia Seccilana de Electricidad has mandated Bank of Montreal to raise C\$60m over nine years at a margin of 3 per cent above Canadian prime rate.

## Odd bedfellows as HK land sales set records

BY OUR HONG KONG CORRESPONDENT

HONG KONG'S volatile property market has in the last week featured the largest block of land ever to go under the hammer at an auction here, the highest amount ever bid for property in a government tender, and strange bedfellows in the consortium that won the tender.

The record area property was a 52.5m sq ft site in the New Territories for which a four-member consortium headed by Cheung Kong (Holdings) and China Resources, an investment arm of Chinese Government, paid the reserve price of HK\$600m (around US\$120m). The site, to be developed into one of the new towns that now dot the New Territories, had earlier been spoken for by the consortium, but was put on auction by a court order after a dispute arose about payments to minority owners.

A record in payment was set with a HK\$1.3bn purchase of a 71,000 sq ft lot in a prime commercial area on the tip of the Kowloon Peninsula. The price per square foot of HK\$18,000 is less than the HK\$26,000 per square foot paid for a commercial building site on Hong Kong Island earlier this year, but the

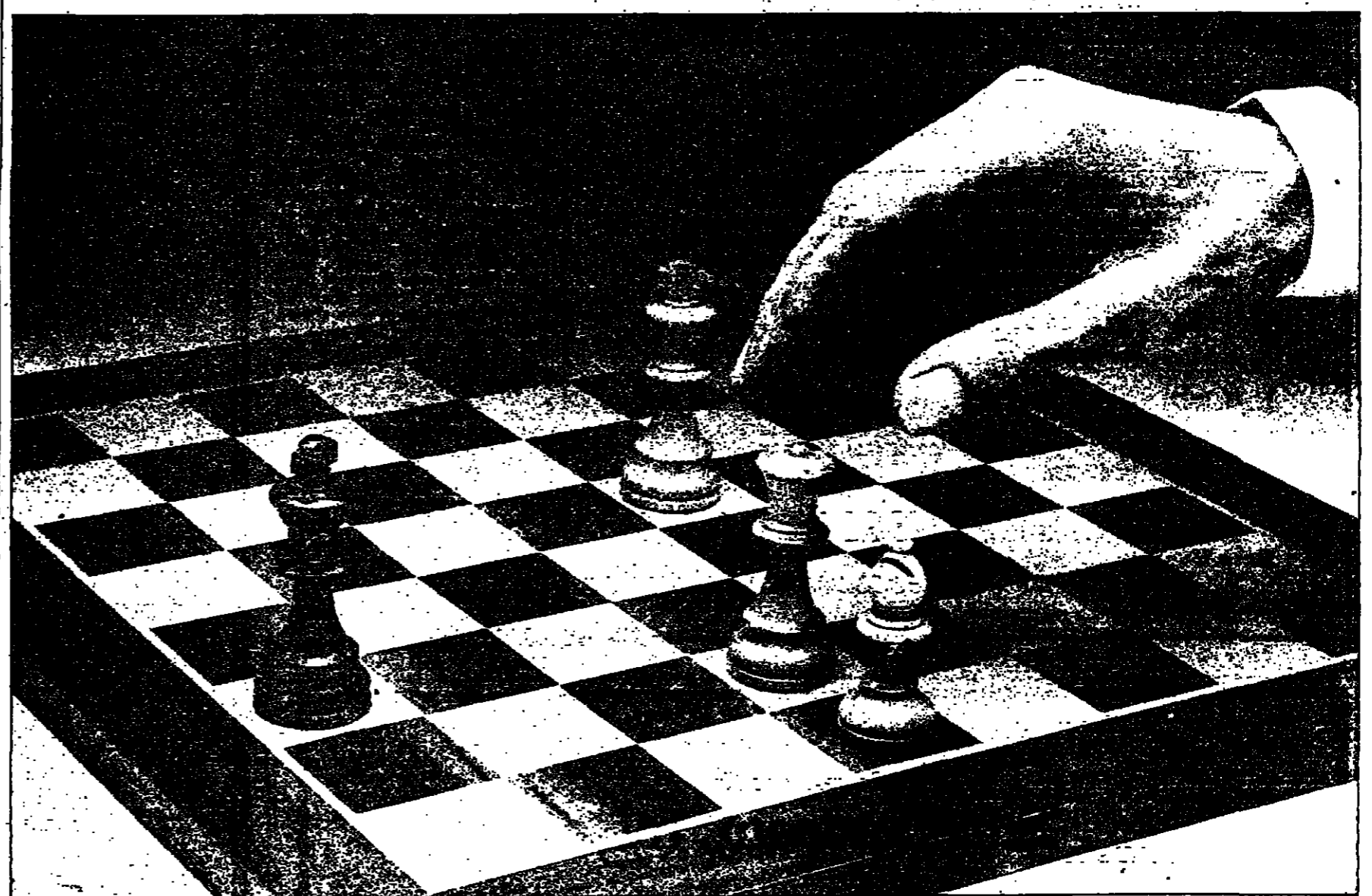
Island site is a much smaller one.

Sale of the Kowloon site, together with that of an HK\$818m industrial site, announced at the same time, will net the Hong Kong Government over HK\$2bn (more than US\$400m) in a single week.

More interesting than the price, however, was the make-up of the seven-member consortium which bought the lot. It was organised by Mr. Li Ka-shing, the chairman of Cheung Kong, was headed by that shipping magnate, Sir Yue-Kong Pao, and it included Hongkong Land, the giant property concern which Sir Yue-Kong humbled in June in a takeover battle for Hongkong and Kowloon Wharf.

Wharf itself is also in the consortium, along with Chinese Arts and Crafts (HK) an arm of the Chinese Government and a retailer of arts and crafts in Hong Kong, the Canadian Imperial Bank of Commerce, Cheung Kong, and two small local developers.

"I'll admit that it doesn't look like the most natural grouping after all we've been through in the last few months," said one member of the consortium.



While plays and mates in 3 moves

## The Federal Republic of Nigeria

US \$ 28,000,000

Medium term project loan for the construction of the  
Oso-Iwopin Highway by Intercontractors (Nigeria) Ltd

Managed by

Interunion-Banque

Allied Arab Bank Limited

Citicorp International Group

The Royal Bank of Canada (London) Limited

Provided by

Allied Arab Bank Limited

Citibank N.A.

Interunion-Banque

The Royal Bank of Canada Group

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National Bank of North America

Japan International Bank Limited

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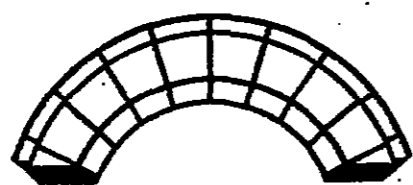
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## The Federal Republic of Nigeria US \$ 28,000,000

Medium term project loan for the construction of the  
Oso-Iwopin Highway  
contract awarded to  
Intercontractors (Nigeria) Ltd.



**EUROGEST**  
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Companies  
and Markets

## Ford plans to part with stake in JATCO

By Yoko Shibata in Tokyo

FORD MOTOR COMPANY has reached a preliminary agreement to transfer its 50 per cent stake in Japan Automatic Transmission Company (JATCO) to Nissan Motor and Toyo Kogyo. Several meetings between Nissan and Toyo Kogyo to discuss the capital take-over of JATCO have failed to bring agreement on the ratio of distribution of the capital, according to Nissan.

JATCO was established in 1975 under Ford's manufacturing licence for the domestic production of automatic transmissions in anticipation of strong demand for automatic vehicles. The company was capitalised at ¥3,240m (U.S.\$15.2m) with 50 per cent held by Ford, and 25 per cent each by Nissan and Toyo Kogyo.

Nissan has tightened its grip on JATCO by purchasing 70-80 per cent of its output and installing a Nissan executive as president of JATCO. Nissan's original intention was to bring its stake in JATCO to over 50 per cent and eventually to attain full control.

However, the agreement on Ford's equalisation of a 25 per cent stake in Toyo Kogyo in May last year threatened Nissan with a lessening of its influence over JATCO, and its stable supply of automatic transmissions.

During the past year, Nissan has been strenuously negotiating for the transfer of half Ford's 50 per cent stake in JATCO to Nissan.

However, Ford was reluctant to retreat from JATCO, since the joint venture company has reported good business, has no debts, and pays high dividends.

Despite the increasing demand for automatic vehicles, Japanese car makers, other than Honda, are dependent for their supplies of automatic transmissions on foreign capital-affiliated parts makers. Nissan, Fuji Heavy Industries and Toyo Kogyo obtain automatic transmissions from JATCO. Toyota, and the Toyota subsidiary Daihatsu Motor, depend for their supply on Aishin-Warner, which is jointly owned by another Toyota subsidiary Aishin Seiki and the major U.S. car parts manufacturer Borg Warner.

Toyo Kogyo is insisting on Ford's stake in JATCO being shared on an equal basis between the two Japanese partners. Nissan argues that the capital distribution ratio should be one to four or one to three, to reflect the fact that 80 per cent of JATCO products are bought by Nissan.

In order to break the deadlock, Nissan has proposed a three-corner meeting with Ford Motor as an arbitrator. The talks will include negotiations on the transfer price.

**Bank of New Zealand**  
THE Bank of New Zealand has reported net profits up 10 per cent to NZ\$13.2m (U.S.\$13m) for the year to March 31, after tax up by NZ\$3m to NZ\$16.7m. Dividend total NZ\$6.5m, Dai Hayward writes from Wellington.

## INTL. COMPANIES & FINANCE

### JAPANESE INDUSTRY

## Putting the figures in perspective

By CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

BRITISH STEEL Corporation's turnover in 1978 was just over one-third that of the Nippon Steel group but its workforce was 93 per cent larger. Turnover per employee at BSC was thus 18 per cent of the Nippon Steel figure, reports Dodwell Marketing Consultants in the latest (4th) edition of its well-known reference work on the Japanese corporate landscape: *Industrial Grouping in Japan*.

The Dodwell guide, first published in 1973, is a comprehensive analysis of the six major diversified Japanese business groups (Mitsubishi, Fuyo, Sanitomo, etc.) as well as of a number of more specialised groups confined to individual industries (such as Nippon Steel and Toyota). Apart from analysing the interlocking shareholder relationships between group members and listing their rankings in major industries, the book provides an illuminating series of comparisons between the Japanese groups and overseas competitors.

According to Dodwell's researchers, the world's largest multinational corporation, General Motors, recorded a 1978 sales figure of 50 on a scale in which the Mitsubishi group's turnover equals 100. Other rankings on the same table are: Royal Dutch Shell 41, IBM 40,

ICI 8, and British Steel 5. The book avoids giving the impression that Mitsubishi and other Japanese groups are directly comparable with American multinationals in their corporate structures and modes of operation. Mitsubishi, for example, consists of a cluster of 28 "nucleus" companies with several hundred more loosely related associates.

The main groups have also acted to establish "group joint ventures" in new industries, such as nuclear power, ocean development, leasing, and computers and information services. The most fascinating part of the Dodwell analysis is that which compares the overall performance of major Japanese industrial groups with overseas competitors.

### JAPANESE GROUPS COMPARED

	1978 figures	net profit	capital	employees
	Number of companies	Y bn	Y bn	'000s
Mitsubishi	136	22,336	201	982
Fuyo	102	14,058	121	412
Sanitomo	108	16,407	174	813
Fuyo	103	14,962	108	713
Dai-ichi Kangyo	64	16,454	85	426
Sanwa	80	13,552	82	549

Holding companies are illegal in Japan, the Dodwell book explains, so that shareholdings in the big groups are mutual rather than vertical. In some groups, however, the ratio of "crossholdings" (ie, the proportion of a member-company's stock held by other group members) is as high as 40 per cent. Apart from mutual shareholdings, links between group members take the form of monthly meetings of company presidents (whose proceedings in most cases are closely guarded secrets).

Apart from the Nippon Steel-BSC comparison, a striking contrast is that between Toyota (the number one Japanese car manufacturer, and since the start of 1980 the world's second biggest motor producer) and British Leyland. BL's turnover in 1978 stood at 25 on a scale in which Toyota's sales represented 100, but BL had 42 per cent more employees than Toyota and its turnover per employee was 18 per cent of the Toyota figure. BL's shareholder equity ratio in 1978 was 34 per cent to Toyota's 47.5 per cent.

an exception to the general pattern of higher equity ratios for western companies. A comparative ranking of the Japanese groups themselves shows Mitsubishi comfortably topping the list in 1978 with a turnover of ¥22,336bn (\$159bn) followed by Dai-ichi Kangyo (¥16,454bn) and Sanitomo (¥16,058bn). Sanitomo grew more rapidly than any of the other groups between 1976 and 1978 and also recorded the highest level of interlocking shareholdings. The Mitsubishi group, consisting of 136 companies according to Dodwell, accounted for 5 per cent of the turnover of all Japanese companies capitalised at ¥10m or more while the top six groups together accounted for 21 per cent of the same total.

Dodwell's analysis of Japanese industrial groupings has been criticised in some quarters on the ground that the inclusion or exclusion of some companies in the major groups involves an element of "subjectivity." This appears to be true so far as companies on the fringes of the groups are concerned. It is not true, however, with the "nucleus" or core companies which actually account for the bulk of each group's turnover.

*"Industrial Groupings in Japan"* Revised Edition 1980-81 published by Dodwell Marketing Consultants, Price £10.00.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange in London

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Issue of  
£125,948,291 9½ per cent.  
Convertible Unsecured Loan Stock 1995/2000  
at par

The Council of The Stock Exchange in London has admitted the above Convertible Stock to the Official List. Particulars of the Convertible Stock are available in the statistical service of Extel Statistical Services Limited, and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 13 October 1980 from

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has acquired

the U.S. oil and gas properties of

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We served as financial adviser to Sun Company, Inc.,  
and assisted in the negotiations.

**WARBURG PARIBAS BECKER**  
INCORPORATED

**A. G. BECKER INCORPORATED**

## Texas Pacific Oil Company, Inc.

a wholly-owned subsidiary of

## The Seagram Company Ltd.

has sold its U.S. oil and gas properties for

**\$2,300,000,000**

and certain contingent interests in

## Sun Company, Inc.

The undersigned initiated negotiations in this transaction and acted  
as financial advisor to The Seagram Company Ltd.

## Shearson Loeb Rhoades Inc.

September, 1980

### UNION DE BANQUES ARABES ET FRANCAISES—U.B.A.F.

Limited Company with a capital of French Francs 250,000,000  
Registered Office: 4, rue Ancelle—92521 NEUILLY-sur-SEINE Cedex  
Trade Register: NANTERRE B 702 927 178  
A.P.E. 8902

APPOINTMENT OF REPRESENTATIVES OF THE GENERAL BODY  
OF BOND-HOLDERS OWNING U.S.\$1,000 1980/1990 BONDS  
The Ordinary General Meeting of Bond-Holders owning  
U.S.\$1,000 1980/1990 Bonds, which took place on 9th September  
1980, appointed:

—Mr. JACQUES D'HUVE residing 56, avenue de la Forêt—  
77110 AVON  
—Mr. PHILIPPE LE MOEL residing 1, rue du Plessis Bouchard—  
95370 MONTIGNY-LES-CORMELLES  
as regular Representatives of referred General Body.  
—Mr. PIERRE ZERDOUN residing 7, rue François Mouton—  
75015 PARIS  
—Mr. YVES ROUSSELIN residing 17, Allée du Mail—ROUVRES—  
77230 DAMMARTIN-EN-GOËLE  
as Deputy Representatives thereof.

THE BOARD OF DIRECTORS

### Banco Nacional do Desenvolvimento Economico

U.S. \$50,000,000  
Floating Rate Notes 1989

Notice is hereby given  
pursuant to the Terms and Conditions of the Notes that  
for the three months from  
23rd September, 1980 to 23rd December, 1980  
the Notes will carry an interest rate of 12 3/4% per annum.  
On 23rd December, 1980 interest of U.S.\$31.28 will be  
due per U.S.\$1,000 Note and U.S.\$312.81 due  
per U.S.\$10,000 Note for Coupon No. 6.

European Banking Company Limited  
(Agent Bank)

23rd September, 1980



**NEW YORK**

Stock	Sept 19
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Chemical NW	42%	42%	Gen Signals	61%	60%	Mayer (Jaspar)	17%	17%	Royal Corp	12%	14%	Weyco	34%	34%	Weyerhaeuser	36%	36%
Chemicals Pond	42%	40%	Gen Signal	44%	44%	Maytag	28%	28%	Roper Crown	17%	16%	Wheelabrator	14%	14%	Wheelabrator Pitts	14%	14%
Chemical System	41%	41%	Gen Telp Elec	25%	25%	McDonald's JR	12%	12%	Rubbermaid	28%	28%	White Consolid	2%	2%	White Motor	5%	5%
Chemical Pneu	22%	23%	Gen Tire	21%	21%	McDonald's Doug	30%	30%	Russell St	15%	15%	White Motor	5%	5%	White Motor	5%	5%
Cheyler	10%	10%	Genesco	51%	45%	McDonough	39%	39%	Ryan Homes	23%	28%	Whitcomb	2%	2%	Whitcomb	2%	2%
Chilman	44%	45%				McGraw Edson	31%	30%	SFN Companies	21%	27%	Williams Co	15%	16%	Williams Co	15%	16%
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Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
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Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%	SFS Technology	22%	23%	Williams Co	15%	16%	Williams Co	15%	16%
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Chilman	47%	48%	Genline Par	28%	27%	McGraw Hill	39%	39%									

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**DOW JONES**

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1. The first step is to identify the problem or question that needs to be addressed. This involves understanding the context and the specific requirements of the task.











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Europe	75	Pleasant	22	Charterhall	
Golden Star	75	Racial Elect	14	KCA	
N.F.E.	24	R.H.M.	40	Premier	
San. Admin.	23	San. Org.	16	Steel	
San. Electric	30	Seas	17	Transport	
Ships	18	Seas	17	Ultramar	
Grand Met.	12	Tesco	20		
U.S. 'A'	24	Thorn	22	Mines	
Guarant.	23	Trust Houses	23	Charter Com.	1
N.K.N.	20	Tube Invest.	23	Cons. Gold	
London Gold	15	Unilever	30	Lomb	
House of Fraser	15	U.D.T.	30	Rho T. Zinc	

Central African

ation 25c	275	+15	090c	6	2
on Rh.50c	950	+25	10100c	17	1
n Corp. 162p.	43	+1	0.56	8.5	
n Cons. K4	170	+10	00.3	5.81	
ide Col. Rh.1	76		+09c	15	
or. S800.24	43		03c	—	

